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## NEWS SUMMARY

### GENERAL

## No atom war 'by error' pledge

There is no danger of a nuclear war being triggered by mistake in the U.S. and British early warning systems, Defence Secretary Francis Pym told the Commons.

Mr. Pym was asked about a second military alert in the U.S. in four days when a computer malfunction in the system had indicated a Russian missile attack.

He said in both cases the error was detected very rapidly in exhaustive checking procedures. Labour MPs, many opposed to the stationing of Cruise missiles in the UK, expressed strong concern. Pages 11 and 5

### New peace bid

Talks between Israel and Egypt over Palestinian autonomy will resume soon under U.S. mediation, Washington officials forecast. Cairo has agreed to send its Foreign Minister to negotiate. Page 4

### Afghans attack

Moslem rebels battling the Soviet-backed Government have killed 10 Russian troops near the capital Kabul, a diplomat reported. Page 4

### Olympic plea

Foreign Secretary Lord Carrington urged the British Olympic Committee to pull out of Moscow Games "even at this late stage" to deny Russia a propaganda victory.

### McNamara to quit

Robert McNamara is to retire from the presidency of the World Bank next year after 13 years of service, although his term will still run until 1983. Page 5

### EEC 'candidate'

John Hume, leader of the Social and Democratic Party in Ulster, could be a candidate for the Presidency of the EEC Commission. Page 5

### Killer captured

Convicted killer Robert Demouille, missing from Broadmoor mental hospital, was captured in Swansea after a PC recognised him despite his hippy-style clothes and a shaven head.

### Beaton home sold

The 17th century home of designer and photographer Sir Cecil Beaton at Broad Chalke, near Salisbury, was sold to an undisclosed buyer for £225,000, at an auction. Saleroom, Page 5

### Drinks problem

Employers and trade unions should unite to beat the problem of alcoholism which has reached "epidemic proportions", affecting 740,000 people, Health Secretary Patrick Jenkin said.

### Heartly meal

Heart transplant patient Andrew Paterson was still "very weak" but had his first meal since his operation at Pay worth hospital near Cambridge on Wednesday.

### Briefly...

RAF helicopter took off following a distress call from Motorolla in the Observer Transatlantic Yacht race.

West Indies were 109 for 2 in the second innings of the First Test, and need 99 runs to win.

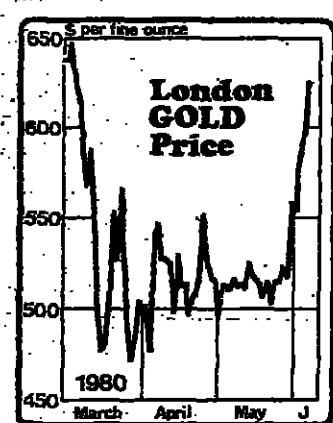
Two Soviet cosmonauts returned to earth after four days in an experimental Soyuz spacecraft.

Evita, the British musical based on Argentina's Eva Peron, won seven Tony awards in New York.

### BUSINESS

## Gold up \$25 as dollar weakens

GOLD rose \$25 in London to \$326, reflecting a switch of funds from U.S. securities and the weak dollar, which lost ground against most currencies.



In trading dominated by interest rate movements, closing at \$326 (DM 1,770) and \$274.1625 (SwFr 1.6378). The trade weighted index fell from 83.7 to 83.0. Page 30; mining news Page 29

STERLING was firmer all round, but strongest against the dollar, closing at \$2.3510, a rise of 1.5c. The trade weighted index rose to 73.9 (73.7). Page 30

GILTS improved on revived overseas demand. The Government Securities Index was up 0.49 at 88.22. Page 35

EQUITIES: Mixed views on near term domestic interest rates failed to dampen recent optimism and the FT 30-share index finished up 5.9 at 434.4. Page 35

WALL STREET was 0.99 down at 861.43 before the close. Page 36

BANK for International Settlements called on governments to implement incomes policies to curb inflation. Back Page; slow growth and rising unemployment forecast. Page 2

WEST GERMAN Chancellor Helmut Schmidt called for more balanced decision of EEC countries, noting that this would mean change in Community farm policy. Back Page

RETAIL SPENDING started to fall in March and April, making likely a sharper High Street price war. Page 5

CONSTRUCTION companies can expect a widespread decline in workload for at least the next three years, say latest industry forecasts. Page 7

INFORMAL talks between the TUC and the Central Electricity Generating Board on the inter-union dispute at the Isle of Grain power station construction site were continuing yesterday evening.

BRITISH GAS has concluded a pay deal for 58,000 white-collar staff worth 25 per cent, union leaders said. Back Page

UNION delegates representing most white-collar NHS staff mandated negotiators to order any industrial action they feel necessary over pay. Page 10

MINERS are likely to make a pay demand of about 35 per cent early in the next pay round. Page 10

BP MINERALS will take a 50 per cent stake in Norway's only zinc smelter, Norzinc, if the Norzinc Board and Norwegian authorities approve the deal. Price is reported to be around \$12m.

ASSOCIATED British Foods Group increased pre-tax profits by £19.8m to £38.7m in the year to the end of March. Sales went ahead from £1.82bn to £2.15bn. Page 24; Lex, Back Page

## Prices index shows raw material costs for industry easing

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE PRESSURE on industry from rising raw material costs has eased considerably compared with last year, in spite of a further increase in crude oil prices.

Earlier raw material cost increases, together with recent high pay awards, still result in a relatively rapid rate of increase in wholesale output prices for manufactured products, though there are signs that the worst may be over.

The wholesale price indices published yesterday by the Department of Industry are the most encouraging news about inflation for some time.

In May cost of manufacturing industry's raw materials and fuel fell by 0.9 per cent, while its prices rose by 1.2 per cent, smallest monthly increase since December.

The implication that the underlying rate of price inflation may be at, or approaching, a peak is supported by the recent Confederation of British Industry trends inquiry.

This showed a sharp fall in the proportion of companies expecting to raise their domestic prices in the next four months to the lowest level for over 18 months.

The fall may have reflected both an easing of materials cost pressures and growing competi-

**WHOLESALE PRICES (1975=100)**

	Materials and fuel purchased	Output (Home sales)
1979 1st	153.4	161.4
2nd	163.3	168.0
3rd	169.9	176.4
4th	183.9	181.8
1980 1st	197.2	191.4
Jan.	193.5	188.5
Feb.	197.6	191.5
March	200.4	194.3
April*	202.4	197.0
May*	200.6	199.3

\* provisional  
Source: Department of Industry.

Source: Department of Industry.

lending rate. There was a further fall in interest rates on loans of three months and longer on the money market yesterday.

The small fall in industry's raw material costs last month was largely the result of a near 4 per cent rise in average value of the pound against the dollar. This reduced the sterling cost of imported commodities, despite the rise in price of crude oil, though roughly half the impact of the latter has still to work through.

Excluding oil, equivalent to about a quarter of the index, prices of other materials dropped by 11 per cent last month, mainly because of lower metals prices.

Although the fall in the overall cost index from 202.4 to 200.6 (1975=100) has been to reduce the 12-month rate of increase from 26 to 23.2 per cent compared with a peak of over 29 per cent in March.

The costs index has increased by 7.9 per cent in the last six months, compared with a 9.7 per cent increase in output prices over the same period.

The output price index rose by 18.8 per cent to 199.3 (1975=100) in the year to May, compared with a rate of just over 19 per cent in April.

Resale sales figures, Page 8

## BIS urges governments to stick to 'restriction'

BY DAVID MARSH

A STRONG call for governments to implement incomes policies as part of their general efforts to curb inflation has been made by the Bank for International Settlements.

The BIS says that the acceleration of inflation and the large rise in oil prices, confronts the industrialised world with no alternative but to stick to restrictive monetary and fiscal policies.

In a policy recommendation seen as being directed specifically at Britain, the BIS says that such measures need to be supplemented by incomes policies, in a form appropriate to individual circumstances.

In its annual report, published yesterday, the BIS makes a number of polite but sceptical references to Britain's economic policies. Commenting on the

Government's plans to reduce public spending and monetary growth in spite of this year's forecast sharp fall in output, it says "economists and policy-makers have for once been offered the possibility of observing an experiment akin to those always available in the natural sciences".

The report also contains a thinly veiled criticism of Britain's doubling of VAT last year, which it says may have aggravated wage inflation during the past winter.

In a clear warning to the British, French and Italian authorities, whose currencies have enjoyed remarkable strength during the past year or so, the BIS says that countries with above average inflation rates cannot avoid depreciation of their currencies over the

longer run.

It suggests that countries whose exchange rates are appreciating for reasons unrelated to fundamental factors, should take a firmer hand in intervening to stabilise exchange rates.

The BIS does not mention any specific countries, this could well be seen as a suggestion for greater intervention by the Bank of England, which intervened only on a modest scale in recent months to break the sharp appreciation of sterling.

The BIS which is owned by the world's top central banks, paints a generally gloomy picture of the world's economic outlook. The industrialised countries face a period of "painfully slow growth" and high

Continued on Back Page  
Editorial Comment, Page 22.

## Fewer mortgages expected

BY MICHAEL CASSELL

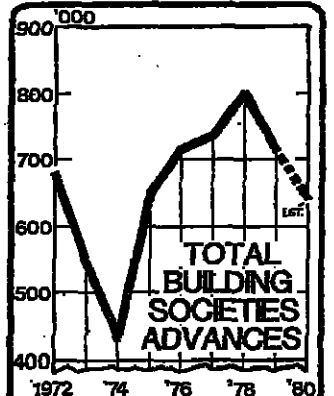
THE NUMBER of mortgages provided by building societies in 1980 is expected to fall to the lowest level since 1974.

The societies at one stage expected to grant more than 800,000 home loans this year, but latest estimates suggest the total will not exceed 650,000.

Last year the societies arranged 715,000 mortgages and in 1978 the figure reached a record 802,000.

The disappointing performance is due to a relative shortage of funds for lending and what appears to be a significant weakening in demand for mortgage finance. House price inflation, though now much less marked, will also have an impact on the number of loans made.

The building societies tend to be less successful when interest rates in the economy are high and, despite record rates now being offered to their own



investors, net receipts in the first five months of this year were more than £300m lower than in the same period last year. Receipts in May reached a little over £200m and may fall this month.

Though the societies still cannot meet the demand for

loans they believe large numbers of potential borrowers have been put off by the high mortgage rate and by uncertainties about the prospects for real incomes.

The current level of demand is such that many societies believe they will find it difficult to push the number of mortgage advances much beyond 700,000 this year, regardless of the funds available for lending.

The outlook partly explains the societies' readiness to maintain their present interest rate structure rather than seek to raise more funds by pushing rates even higher.

Some executives believe that if Minimum Lending Rate falls later in the year and the societies take the opportunity to establish a truly competitive edge over other deposit-taking institutions, they should be able to meet all mortgage demands at least temporarily.

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## Saudis urged to cut oil output

By Richard Johns in Algiers and Andrew Whitley in Tehran

SAUDI ARABIA came under heavy pressure to cut its oil output when the Organisation of Petroleum Exporting Countries started its ministerial conference in Algiers yesterday.

The pressure came as evidence mounted that the high level of Saudi output — 9.5m barrels a day — is causing the international oil market to weaken.

Iran, one of OPEC's pricing hawks, has been quietly cutting its premium rates by amounts ranging up to \$2 a barrel. Significant discounts are also

being offered on refined fuel oil because of the high stocks which have built up in recent months.

Diplomats in Tehran say two tanker-loads of Iranian crude bound for India were sold last week at between \$32 and \$33 a barrel. This compares with the official price of \$36 for Iranian light oil. Turkey and South Korea have also received supplies at reduced prices.

The surplus of supplies on the world market is believed in Tehran to have induced Iran to cut surcharges of up to 2.50 a barrel included in the \$35-\$36 a barrel official selling price. A reduction of 62.5 cents a barrel is said to apply to all companies currently lifting Iranian oil.

Before leaving for the OPEC conference Mr. Ali Akbar Molair, the Iranian Oil Minister, said controlling oil exporters' production levels would be his main concern. On his arrival in Algiers he said Saudi Arabia should cut its output to "the same as they had before the Islamic Revolution in Iran—that was 7.5m barrels a day."

SEaudi Arabia has yet to decide whether to maintain its present level of output. It is believed in Algiers that it will do so, but its decision may depend on the outcome of the Algiers conference and the chances of a compromise on a unified base price.

The OPEC leaders started their meeting with a difference of up to \$8 a barrel in prices of Middle East Light crude of comparable qualities. Saudi Arabia, the leading OPEC moderate, is charging \$28 a barrel for its light marker oil, following the \$2 a barrel increase last month.

Mr. Belkacem Nabil, the

Continued on Back Page

## POLITICAL CHALLENGE TO LABOUR

## Jenkins may launch new centre party

BY RICHARD EVANS, LOBBY EDITOR

MR. ROY JENKINS moved closer yesterday to raising his standard as leader of a new centre political party next year when he retired as President of the European Commission.

In a significant speech to parliamentary journalists at Westminster, the former Labour Deputy Leader underlined his disenchantment with the present state of British party politics and again advocated a fundamental realignment.

But, tantalisingly, he did not declare a specific intention to break away from the Labour Party and to form a new party. Plans are undoubtedly being prepared by close colleagues of Mr. Jenkins but they will not be launched until the domestic political scene becomes clearer.

Much will depend on developments among the warring factions inside the Labour Party particularly at the October conference when arguments on constitutional changes, relations with the EEC and defence policy will come to a head.

Present indications are that Mr. Jenkins would receive minimal support from Labour MPs for the setting up of a new radical-centre party, and none of the more important figures such as Mrs. Shirley Williams, Dr. David Owen and Mr. William Rodgers, would consider joining at present.

But Mr. Jenkins believes that the Conservative, Labour and the Liberal parties have relatively such limited support that there is a vast reservoir of public backing to be tapped. He also believes that enough money could be available from individuals to overcome the need for financial assistance from either the trade unions or industry.

He gave no indication of how he believes his future relations might develop with Mr. David Steel and the Liberal Party. There might be a hope of some form of electoral pact with the Liberals should a new party be formed. But premature proposals would bring an immediate hostile reaction from Liberal activists.

Mr. Steel, interviewed on BBC Television's Nationwide programme last night said he proposed to continue discussions he was having with Mr. Jenkins on the basis of principles and policies, which were capable of "pulling Britain together again." If Mr. Jenkins was willing to help in that pro-

cess, he believed his support should be enlisted.

He argued that if Mr. Jenkins were to return to UK politics, he should not be ignored by the Liberal Party. If the Liberals were to grow, they would have to attract new people, and if they could win people of the calibre of Mr. Jenkins, this would give them considerable boost.

Mr. Jenkins, due to retire as Commission President on January 6 next year, clearly sees a future for himself in British politics although he played down his expectations.

"I expect nothing from British politics. I am not searching restlessly and demanding for a role or a job," he declared.

But he spoke with passion about the need for a new realignment and attacked scornfully, the hunches to the Left being taken by the Labour Party.

Nine days ago (at the Wembley Special Labour Party conference) Labour had adopted policies, which would make British membership of NATO meaningless, withdrawal from the Common Market probable and a massive extension of public ownership likely.

Likening his hopes for a new party to an aircraft, he conceded that the experimental plane could finish up a few fields from the end of the runway... but the opposite could occur and the experimental plane could soar into the sky. If that were so, it could go further and more quickly than few now imagine, for it would carry with it great and now untapped reserves of political energy and commitment."

Parliament, Page 10

Editorial Comment, Page 22

## Barclays in bureau scheme

By Michael Lafferty

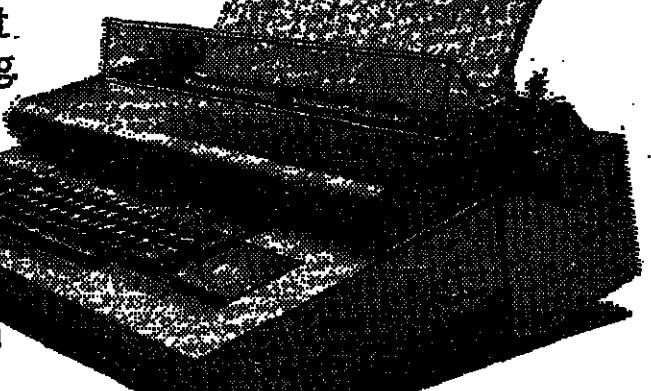
BARCLAYS BANK is to provide summer tourists and travellers with a Saturday bureau de change service at nine centres throughout England.

All branches covered will be operated by volunteer staff, following an agreement between the bank and the Barclays Group Staff Association.

The London branches involved in the scheme will open from 10 am until 3 pm every Saturday from June 21 to August 30.

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## EUROPEAN NEWS

## Communists suffer in Italian local elections

BY RUPERT CORNWELL IN ROME

THE ITALIAN Communist Party suffered a significant reverse in last weekend's regional and local elections, which are providing further evidence of a shift in the country's political mood to the right.

On the basis of early predictions last night, the Communist share of the vote dropped to 31.3 per cent from 33.5 per cent at the last regional poll in 1975, and an equivalent figure of 31.8 per cent for the general elections exactly a year ago.

The ruling Christian Democrats, according to returns gathered from 194 communes (local councils) up and down the country, raised their vote to 37 per cent from 35.3 per cent in 1975, while the Socialists, now back in government after a six-year absence, boosted their support to 12.7

per cent from 12 per cent five years ago.

Although the results confirm the stability of the Italian electorate, leading politicians were concluding last night that the poll would strengthen the current coalition of Christian Democrats, Socialists and Republicans. For the vote, although it was formally to re-elect 15 regional governments and administrations in 86 provinces and 6,575 communes throughout the country, was above all national in character.

At the same time, the results have so far provided no proof of a surge in support for the extreme right-wing MSI. Despite the general apathy and disgust with politicians discernible in the electorate before the vote, with around 6 per cent of the vote, the MSI was

running slightly up on its 1979 performance, but below that of 1975.

For the Communists, the vote's early patterns offer two lessons, neither encouraging.

The main tough line of the Communist Party against the government of Sig. Francesco Cossiga, to the extent of pressing for his parliamentary "impeachment" for allegedly abetting the flight of the wanted terrorist suspect, Sig. Marco Donat Cattin, has clearly not paid great dividends.

Equally, the projections suggest that some of the left-wing administrations in major Italian regions and cities born in 1975 may be in jeopardy. These include the regions of Piedmont, Lazio, and possibly Liguria, and the municipalities of Turin and Naples, although a clearer picture is unlikely

before early today.

Much will depend on the attitude of the Socialist Party as junior partner in these "Red" jumbos. The strong showing of the Socialists almost certainly has been greatly aided by the non-participation of the Radical Party, which won 3.4 per cent of the vote in the 1979 general election.

But the big improvement in the Socialist Party's performance from the 9.9 per cent of 1979 can only strengthen the hand of Sig. Bettino Craxi, the party secretary, in his running battle with the Socialist left, keen on closer ties with the Communists.

The final turnout of voters was 88.5 per cent of the registered electorate.

Sig. Cossiga: Pressure for impeachment.



Sig. Cossiga: Pressure for impeachment.

## Support for Soviet explanation of anthrax outbreak

BY DAVID SATTER IN MOSCOW

MYSTERY SURROUNDING an outbreak of anthrax in Sverdlovsk, an industrial city in the Ural Mountains, last year has deepened following the first direct reports from residents in the area.

Several of their accounts, including one from a man who said a relative had fallen ill with the disease, provide the first independent support for the official Soviet explanation that the outbreak occurred because of contaminated meat products.

Passengers I met during a recent journey on the trans-Siberian express and people

from Shadrinsk, a city of 80,000, who have relatives in Sverdlovsk, have told me that the disease was spread through the sale of meat to city dwellers by villagers from the surrounding countryside.

A resident of a city near Sverdlovsk, said in a conversation on the train that cows became ill after grazing on grass growing over the site of a 50-year-old burial ditch where the carcasses of animals infected in earlier outbreaks had been buried.

The cows were slaughtered for meat which was then sold to Sverdlovsk residents, includ-

ing a relative of the traveller. The relative became ill but recovered after rapid medical treatment.

However, the chief doctor at a clinic in Shadrinsk, 100 miles from Sverdlovsk, has said she was never informed of an anthrax epidemic in the area as would have been normal had a natural outbreak of the disease been involved.

The U.S. said earlier this year that the outbreak of anthrax in Sverdlovsk in April, 1979 might have been the result of an accident at a secret germ warfare plant in the city. Reports which reached the West by way of Moscow residents said that

the accident caused hundreds of deaths.

According to the version of events now told to me, collective farmers in the villages were ordered to throw away the meat which they had produced for sale once the contamination was discovered. Cows in at least one village were exterminated. Unfortunately, dogs and cats fed on the meat which was disposed of carelessly and spread the disease further.

One traveller said that leaflets appeared in Sverdlovsk warning people not to buy meat from collective farmers and warnings against anthrax contamination were broadcast and

published in the Press. Dogs and cats in nearby villages were destroyed. Some people became ill but there were few deaths and no quarantine, he said. Reports which started to reach Moscow last year said that the anthrax outbreak was caused by a leak at a factory which had been well known as a secret military installation.

According to these reports, which were unconfirmed, hundreds of persons died and an entire area of Sverdlovsk was cordoned off. One recent report from a Soviet military commander committed suicide over the leak at the plant.

## French doubts on current account target

BY TERRY DODSWORTH IN PARIS

FRANCE'S BALANCE of payments went into such a sharp decline in the first three months of the year that doubts have been raised about the country's ability to limit its current account deficit for 1980 to the official target of about FF22bn (£2.27bn).

This figure was given by M. Raymond Barre, the Prime Minister, earlier in the year, when it became clear that the increase in oil prices would drive the country into the red. In the first quarter, however,

the payments deficit reached about half of M. Barre's target at FF10.4bn.

The Government believes that the rate of growth in the deficit will decline substantially in the second half of the year because the expected slowdown in business activity should lead to an improvement on the trade account.

Such a fall in activity, which is suggested in most of the current forecasts, would mean lower imports both of oil and of the capital goods which have

been sucked in to keep French industry moving.

At the same time, the tougher conditions in overseas markets should lead to increased efforts by French companies to substitute their own products for imports within France itself.

The first quarter current deficit compares with an overall favourable balance of FF2.6bn, last year, when France's exports of services more than bridged the trade deficit of around FF10bn.

In the first three months of this year, however, the trade deficit has risen to reach about FF12bn seasonally adjusted compared with FF4bn in the same period last year.

The main culprit for this increase was the rising cost of oil imports, which went up to some FF7bn net. Industry also suffered from a lower growth in exports. At the same time, the contribution of invisibles to a current account also declined, coming to about FF5.4bn against FF7bn for the same period last year.

## Danish vote averted

By Hilary Barnes in Copenhagen

DENMARK'S MINORITY Government averted a vote of no confidence in Parliament yesterday when it succeeded in winning support for a counter-motion expressing approval for its economic policy.

The Government's position was threatened when the opposition launched an attack on Mr. Poul Nielson, the Energy Minister, for his handling of an oil contract with Saudi Arabia. It has now promised Parliament greater control over future government-to-government oil deals.

## Community reluctance on OPEC funds

By John Wyles in Luxembourg

EEC FINANCE Ministers concluded here yesterday that the Community could play only a limited role in recycling the huge financial surpluses being built up by the OPEC oil-producing countries.

But they agreed, nevertheless, to commission further studies of possible initiatives the Community could take which might help the non-oil producing less developed countries cope with their mounting balance of payments problems.

The EEC's monetary committee, made up of representatives of the nine central banks and Treasuries, has been asked to examine whether the Community could do more for third countries through its existing loan instruments such as the European Investment Bank or by extending others which at the moment serve only Community members.

Other points which the committee has been asked to examine include the problems of surveillance necessary to ensure that recipients of any Community loans were making appropriate efforts to adjust to their structural problems.

In addition, the committee will do further work on the possibility of so-called "triangular" arrangements whereby the Community could borrow from OPEC oil producers and then lend on to less developed countries. In this context they may also consider whether the European Currency Unit might have a role to play.

Generally, as Sir Geoffrey Howe, the Chancellor of the Exchequer, made clear last night, the Ministers believed that the main responsibility for tackling the recycling problem must remain with the international financial institutions, such as the International Monetary Fund and the World Bank, and with the international financial market.

This is one of the conclusions of a preliminary paper prepared by the monetary committee which was the basis for yesterday's discussions. Each Finance Minister will now report back to his head of government.

## Red tape could slow Britain's EEC rebate

BY MARGARET VAN HATTEN IN BRUSSELS

BRITAIN'S hard won rebate from the EEC budget is becoming increasingly tangled in Community red tape and could take much longer to flow back to the UK than some had foreseen.

According to EEC Commission officials, the bulk of the rebate for 1980 will come from the 1981 budget which, they say, implies that most of the 1981 rebate will have to come out of the budget for 1982, the year the Community is expected to run out of money. But the officials say, there has been surprisingly little pressure from the British Government for a faster rate of repayment.

The EEC Commission confirmed yesterday that in revising the Community's 1980 budget (to take into account last month's agreements on Britain's budget contribution and on EEC farm prices), it had proposed that this year the UK should receive only 300m ECU (£425m), of the 1.17bn ECU rebate to which it is entitled.

Some Commissioners are believed to have pressed for twice this amount, but to have been outvoted.

More could be allocated this year should a supplementary budget be drawn up, but most of the rest is expected to be included in the 1981 budget. At this stage, it is uncertain how much will be paid before the 1980-81 British financial year ends next March. According to some forecasts, it may not be much more than half. This would include 370m ECU from the so-called financial mechanism (Britain is entitled to 75 per cent of the 500m ECU at the start of the year, the remainder halfway through the year), plus this year's 300m ECU and whatever could be allocated in next year's budget for the first three months of the year.

The speed at which the money flows through will depend largely on the speed at which spending programmes can be approved.

## Health watch on asbestos and lead working agreed

BY JOHN WYLES IN LUXEMBOURG

EEC GOVERNMENTS agreed here yesterday to introduce legislation within four years requiring compulsory health surveillance of workers exposed to asbestos and lead.

At the same time, EEC Ministers responsible for employment and social affairs, undertook to introduce regulations within three years which would ensure that workers exposed to five substances are informed about their hazards. They are cadmium, mercury, arsenic, asbestos and lead.

Yesterday's adoption of a draft directive covering health surveillance and warnings means that each member state will undertake to meet the agreed standards through national legislation within the specified period. Originally, the Commission proposed an

18-month deadline for introducing the monitoring of workers' health after contact with asbestos and lead, but the UK, supported by Ireland, insisted on longer.

Not all states will have to take action on the provision of information on the five dangerous substances because the UK, for example, already requires employers to pass on such information.

Responding to general months of pressure from European unions, the ministers also adopted yesterday a long resolution on "guidelines for a Community labour market." In essence this amounts to little more than agreement on what a labour market policy should be in terms of providing training and matching job seekers with available employment.

## BANK FOR INTERNATIONAL SETTLEMENTS Annual Report

## Industrial countries face growth, jobless problems

BY DAVID MARSH IN BASLE

THE INDUSTRIAL world faces a long period of "painfully slow growth" and the social and human costs of rising unemployment, according to the annual report of the Bank for International Settlements in this gloomy outlook follows from tough Government measures to reduce inflation and from the delicate balance between supply and demand on the international oil and commodity markets, which places tight limits on the economic growth that can take place without triggering commodity price booms.

The bank says that the general switch in the main industrial countries towards policies to fight inflation makes for "moderate optimism" about a reduction in the rate of international price rises.

But it warns that a "synchro-nised world recession" could take place if all countries react equally to the latest oil price surge by adopting restrictive monetary measures and trying to limit their external deficits.

The poorer, smaller industrial countries and the non-oil developing countries clearly cannot afford lower growth as can the large and rich industrial countries.

This means the first two groups will have to shoulder a greater share of the global deficit of the oil-importing world. The financing of these deficits looks like being the main international problem.

The BIS says that the oil price rises of 1979 and the early months of 1980 have been as large in real terms as those of 1973-74. The new oil shock has again led to a surge in world inflation, with consumer prices rising annually 12.5 per cent in the Group of Ten and Switzerland in March against only 7 per cent on a weighted average at the end of 1978.

But the bank believes that the short-term world economic outlook is less bleak than it was six years ago.

First the current acceleration in consumer price inflation has been due to increases in international commodity and energy prices to a greater extent than in 1973-74.

Except in the U.S., and to a lesser extent in Britain and Italy, the growth in inflation has not chiefly been domestic in origin. Nominal and real wage increases have practically

## Shift from Eurodollars

By Peter Montagnon

THE non-dollar sector of the Eurocurrency market expanded strongly last year partly because a substantial part of the widening OPEC payments surplus was invested in other currencies, the Bank for International Settlements says.

Non-dollar liabilities of Eurobanks expanded 41 per cent during the year, bringing the share of other currencies in the Euromarket to 34.4 per cent compared with 31.4 per cent in 1978. The Deutsche Mark and Swiss franc accounted for the bulk of this expansion, but in terms of growth rates the sharpest increases were shown by the yen, French franc and sterling.

Non-dollar assets showed a much smaller increase to 24.4 per cent compared with 21.4 per cent in 1978. Eurobanks switched from being net lenders of non-dollar funds to the tune of \$300m to being net borrowers of \$17.5bn.

The OPEC surplus, lower interest rates on non-dollar currencies and the less buoyant outlook for several of them on exchange markets contributed to this.

The BIS also notes that London's share of Eurocurrency business rose again last year to 42 per cent from 40 per cent after a decline in previous years. This was due above all to the rapid growth of lending by affiliates of Japanese banks in the City.

nowhere approached the high rates of the early 1970s.

Second, monetary and fiscal policies are more restrictive now that the emphasis is largely on curbing inflation rather than protecting employment. Interest rates have risen sharply and monetary growth has slowed in most countries.

Third, current account deficits are more evenly spread than in 1973-74. A third of the deficit has been in Germany, Japan and the U.S. The new payments pattern is unlikely to disrupt exchange rates as much as after the first oil crisis. The

U.S., Germany and Japan are also all creditworthy borrowers who can finance their deficits by issuing debt denominated in their own currencies to the oil-surplus nations.

The BIS notes with approval a greater commitment to exchange-rate stability in most industrial countries. Within the European Monetary System, there is a formal framework for stable exchange rates, while outside the EMS, "domestic monetary policy measures explicitly taken with balance of payments considerations in mind and large scale official intervention clearly show that the authorities do care about the exchange rate."

The bank identifies several areas of concern. The first is the domestic nature of the bulk of U.S. inflation. Thus "policies devised to bring U.S. inflation under control will have to be more determined and longer lasting than in some other industrial countries."

The U.S. recession, which was called for urgently in last year's report, only seems to have set in during the first quarter. The BIS says: "The problem in 1979 was not that growth accelerated in Germany and Japan, but that aggregate demand did not slacken in the U.S. in line with forecasts. Episodes of this kind cast serious doubts on the effectiveness and therefore on the desirability of international fine tuning."

In a reference to the recent sharp fluctuations in U.S. interest rates, and thus in the dollar, the BIS says that "rather belated acceptance of greater volatility of interest rates, at historically high levels, may for a time make it more difficult internationally to co-ordinate policies devised to combat exchange rate instability."

It notes also that most of the changes in real exchange rates since the U.S. dollar defence measures of November 1978 have been in the right direction on the basis of current account patterns but not of relative inflation.

This clearly refers to the strong performance of the high-inflation currencies like sterling, the Italian lira and the French franc.

The bank warns that the world economy will face great dangers unless the oil exporters again absorb goods and services from the oil-importing world and so reduce overall payments imbalances.

## Oil states seek new currencies for assets

By David Marsh in Basle

LARGE current account deficits in Germany and Japan and the reduction of Switzerland's surplus may tempt oil-exporting countries into building up assets in major currencies other than the dollar, the Bank for International Settlements says.

The emergence of deficits may permit OPEC investment in the "strong currency" countries without destabilising their exchange rates or money supplies.

The bank notes that the International Monetary Fund's plans for diversification through a substitution account have been put on ice.

"For the near future, therefore, concerns about international liquidity seem likely to focus on ways of financing the oil-importing world's payments deficit and assuring the OPEC countries of a reasonable return on reserves held in the conventional form of foreign-exchange reserves last year. After rising by \$102bn in 1977-78 they fell by \$6bn in 1979.

In the Group of Ten and Switzerland, the shift was pronounced. Total reserves increased by around \$35bn in 1977-78 and fell by \$30bn last year. About half of this decline was the result of swaps by members of the European Monetary System of dollar reserves against European Currency Units.

The total exchange reserves of the rest of the world, on the other hand, rose by \$24bn. Most of this rise was concentrated in the oil-exporting countries.

This shift in the distribution of reserves affected both the location and the currency in which they are held. Group of Ten countries other than the U.S. hold their exchange reserves mainly in the U.S. and in the form of dollars, while other currencies invest a greater part of their reserves with banks outside the U.S. and in currencies other than the dollar.

These different reserve policies were reflected last year in a \$13bn decline in the U.S. reserves held in dollar form, accompanied by a \$35bn increase in identifiable official holdings in banks outside the U.S., of which \$14bn was in non-dollar

## IDENTIFIED OFFICIAL DEPOSITS WITH COMMERCIAL BANKS OUTSIDE THE UNITED STATES

Items	End-1976	End-1977	End-1978	End-1979
amounts outstanding, in billions of US dollars				
A. Deposits with banks in European countries, <sup>1</sup> Canada and Japan				
I. In national markets	5.0	7.6	9.3	8.8
Deutsche Mark	1.0	2.2	3.1	3.4
Swiss franc	1.5	1.3	0.6	0.6
Yen	0.2	0.9	2.7	0.9
Pounds sterling	1.2	1.6	1.2	1.9
Other currencies	1.1	1.6	1.7	2.0
II. In Euro-markets	60.4	71.0	80.1	71.0
Dollars	47.2	53.0	52.8	73.3
Deutsche Mark	8.3	12.0	16.8	24.1
Swiss franc	2.6	3.2	4.6	6.0
Yen	0.2	0.3	2.2	4.2
Pounds sterling	0.3	0.3	0.7	1.5
Other currencies	1.5	1.6	3.0	5.9
Total I + II	65.4	78.6	89.4	79.8
of which in non-dollar currencies	18.2	25.6	36.6	50.5
B. Deposits with offshore branches of U.S. banks	4.5	4.4	5.7	6.4
Total A + B	69.9	83.0	95.1	86.2

Note: The figures in the table include changes in the dollar value of reserves held in other currencies arising out of movements in the exchange rates of the dollar against these other currencies.

<sup>1</sup> Belgium-Luxembourg, France, Germany, Italy, the Netherlands, Sweden, Switzerland and the United Kingdom; since 1977 also including Austria, Denmark and Ireland. <sup>2</sup> Estimate. <sup>3</sup> Excluding deposits with banks in Switzerland.

## Governors take a festive break for Bank's fiftieth anniversary

YESTERDAY was a day for festivities at the flag-draped tower block of the Bank of International Settlements, which rises like a pile of giant pennies near the Basle railway station, writes David Marsh.

Guarded by Swiss police fingering their machine pistols with inconspicuously snow-white gloves, the world's top central bankers moved from cocktail party to luncheon date to early evening concert in a mood of heady celebration.

The bankers were helping mark the 50th anniversary of the BIS, which was set up in the dark days of 1930. At that time one of its first problems was to arrange loans to bail out now long forgotten East European central banks caught in the 1931-32 monetary crisis. Today's little local difficulties show their equally sensitive diplomatic nature — treading through the quicksands of international protocol to find seating places at luncheon for the central bank governors from Iran and Israel, specially invited for the festivities.

The Iranian bank chief was found a place on the neutralist table with central bankers from Portugal and Austria; his Israeli counterpart was also put on safe ground with delegates from South Africa and the Netherlands. Both were kept well away from the Cubans or the Soviets.

The central bankers were also celebrating the coming of age of the BIS's conservative monetarist philosophy. After 50 years of preaching financial rectitude and monetary orthodoxy, the BIS has at last found that governments are listening to its views.

The bank's annual report notes with quiet pride that countries everywhere are switching to anti-inflationary policies. The result, the BIS laments, will be a period of mounting unemployment, and painfully slow growth.

The real world seemed a long way away from the clinking of glasses and the munching of cocktail olives yesterday as the central bankers ate and drank

their way through some of the BIS's profits last year, which reached a record \$100m (\$43m).

The monetary powers that be, however, do not appear as hard-line as they are often considered. For one thing there was the threat of distinct scepticism about Mrs. Thatcher's restrictive economic policies running through the BIS annual report.

For another, the occupants of at least one luncheon table yesterday were showing less than full enthusiasm for the doctrines of Professor Milton Friedman.

The good professor, remarked the central banker — from Santiago, didn't even know that Chile was dependent on copper revenues when he visited the country years ago. The governor of the Swiss central bank, just back from the wild social whirl at the International Monetary Conference in New Orleans last week, was even more cutting.

"Professor Friedman," he opined through a mouthful of BIS delicacies, "is a very good dancer."

## OPEC surplus poses problems

By Peter Montagnon

THE BANK for International Settlements warns that recycling the OPEC surplus may be more difficult now than when oil prices last rose as fast. The main difficulty is that OPEC countries will run an exceptionally large payments surplus much longer than in the mid-1970s with a corresponding deficit in the oil-importing countries.

"From the point of view of sound banking principles financing a persistent payments deficit is a different proposition from financing a temporary one, particularly when the larger amounts that are borrowed are not translated into a higher level of domestic investment and economic growth in the borrowing countries," it says.

Banks are already heavily burdened with lending to developing countries while their stretched gearing ratios could give them less room for manoeuvre in international lending. They may also wish to become less dependent on individual OPEC depositors for their funds, the bank's annual report says.

OPEC countries, faced with an uncertain outlook for world inflation and economic performance may wish to keep a large proportion of their investments liquid and short-term, whereas oil-importing countries largely require long-term finance.

In coming months, the BIS foresees greater interest among borrowers in the syndicated credit markets.

"With the market considerably less receptive than in 1979, it remains to be seen whether all groups of borrowers will be able to obtain large-scale financial accommodation without a significant stiffening in loan conditions."

The BIS believes there is a greater lending role for the International Monetary Fund, which during the last few years has been "crowded out" in a borrowers' market for international bank loans.

For the time being, the IMF's liquidity is satisfactory. But the BIS suggests that the fund should soon examine a substantial increase in its resources by direct borrowing from the surplus countries or in the markets.

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## WEST GERMAN LABOUR RULES TODAY

## Unions try to ban lock-out weapon

BY ROGER BOYES IN BONN

WEST GERMANY'S finely tuned relationship between employers and trade unions may well face a serious upset today, when the Federal Labour Court is due to rule on whether companies can legally lock workers out during an industrial dispute.

The issue has evoked strong emotions on both sides of industry. Indeed, during hearings earlier this year, three bombs were placed in the court at Kassel. No one was hurt, but it was a grim reminder that Germany's traditionally peaceful labour relations are going through a fragile period.

The court has been considering the case of two 1978 disputes, involving the printers union, IG-Druck und Papier, and IG-Metall, the engineering and metal working federation, both of which began as selec-

tive localised strikes and which developed into wide-ranging lock-outs. According to figures released by IG-Metall, only 3 per cent of its 2.8m members were on strike during the wages and conditions dispute. This cost the union some DM 40m (£6.6m) in strike pay—but it then had to find a further DM 82m to union members who had been locked out by employers throughout the state.

The unions, who brought the two cases before the court, argue that by sapping their funds, the employers are trying to undermine the constitutional right to strike.

The employers, however, maintain that the lock-out is simply their answer to the strike weapon and that it is essential if industrial disputes are to be settled in a relatively short period of time. Further,

more, they argue that the lock-out is the only effective counter-method to selective strike action, which can cripple a single plant at the minimum of expense to the union.

Previous decisions by the Federal Labour Court in 1955 and 1977 supported the legality of the lock-out but stressed that an essential parity had to be maintained between the use of the lock-out and strike weapons. The unions, who were alarmed by the use of lock-outs in the recent Swedish general strike, feel that this parity no longer exists.

Meanwhile, a second pillar of Germany's labour relations—workers' representation on companies' supervisory boards—has also become a subject of controversy this week, following Mannesmann's plan to integrate its steel and pipes divisions.

Mannesmann, in a statement yesterday, said that the integration was simply to improve its competitiveness on world markets. But IG Metall claims that Mannesmann is trying to slip out of the stiff terms of workers' co-determination set out by 1951 legislation for the coal and steel industries. Union leaders feel they have more say in the running of coal and steel companies because of the relative make-up of the supervisory board (50 per cent workers, 50 per cent management, a neutral member who can make a casting vote). If Mannesmann goes ahead with its plans, it will become liable to a 1976 law which gives the casting vote to the supervisory board chairman—who is almost invariably appointed by the shareholders and is usually expected to take their view.

## Another Swedish port opens

By Victor Kayfetz in Stockholm

DOCKERS AT Helmsund harbour in the north Swedish city of Umea returned to work yesterday after voting to end participation in the Harbour Workers' Union strike, which has shut most Swedish ports, since May 2.

Last week dockers at the small port of Oskarshamn withdrew from the strike and those at Sundsvall, northern Sweden's largest city, voted to open their port for three days only. Mr. Gunnar Norberg, chief spokesman of the striking union, whose 2,400 members demand a 30 per cent rise and a contract separate from that of the much larger Transport Workers' Union, said yesterday: "It is a grave mistake to believe the harbour conflict is fading away."

## Moscow begins second stage of troop cutback in East Germany

BY LESLIE COLLITT IN BERLIN

THE Soviet Union has begun the second stage of its partial troop withdrawals from East Germany after pulling out one division with 10,000 men and 350 tanks, according to Western allied military experts in Berlin.

The token Soviet troop reductions of 20,000 men, up to 1,000 tanks and other military equipment were announced last October by President Leonid Brezhnev in East Berlin. Total Soviet troop strength in East Germany up to then was 20 divisions, or 400,000 men, and 7,000 tanks according to the Western allied military specialists. Britain, the U.S. and France all maintain military missions in Potsdam, East Germany, which keep a close watch on the Soviet troop withdrawal.

This past week, the Russians

began pulling out another tank unit stationed near Güstrow, between Schwerin and Rostock in the north of East Germany. Over a period of months the Soviet Army in Germany, as it is officially called, withdrew the Sixth Armoured Guards division with 350 T-62 tanks whose headquarters were in Wittenberg.

Included in the Russian withdrawal were several support units, including an artillery regiment with self propelled SP-152 heavy artillery, an engineers battalion, a missile unit with tactical frog missiles, and BM-31 rocket launchers, an anti-aircraft unit, a chemical warfare defence company, as well as a signals battalion.

Both allied and West German military experts say there is no indication where in the Soviet Union the withdrawn troops have been redeployed, but their

East German barracks remain empty. A recent rotation of Soviet troops in East Germany by air from the Soviet Union has not added any troops to the number in East Germany and is standard procedure twice yearly.

The Russians have attempted to gain some political mileage from the withdrawals by suggesting at the Vienna troop reduction talks that the Soviet forces taken out of East Germany should be included in a total reduction of Soviet troops in Central Europe, to which the U.S. would have to respond.

Western military experts say the Soviet army raised the number of its tanks in East Germany, Poland and Czechoslovakia from 12,000 in 1970 to 20,000 presently, while NATO is said to have boosted its tank strength from 5,300 to 7,900.

## Devaluation shows Tito's successors aim to live within their means

BY ANTHONY ROBINSON IN BELGRADE

The drastic devaluation of the dinar, it is hoped, will shock Yugoslavs into a new sense of economic realism and, at a stroke, reverse the relative attractiveness of domestic and export markets.

YUGOSLAVS HAVE joked for years about how they wished they could afford to live in the style they had become accustomed to. They will find it a lot more difficult in future following Friday's 30 per cent devaluation of the dinar. This is likely to make an already difficult economic situation much worse before it gets better. It will push up both domestic inflation and the balance of payments deficit in the short-term.

Last Friday's announcement marked the first major decision by the collective leadership, which now runs the country, since the death of President Tito. It was preceded by months of debate and increasingly urgent warnings that the country was living beyond its

means and had to work harder, export more, and accept lower incomes.

Inflation over the first four months of this year accelerated to an annual rate of 26 per cent while the trade deficit amounted to over \$2.35bn (£1bn) in spite of a major effort to cut back imports and raise exports. Coffee, detergents, and several other imported consumer goods are in short supply. This is reflected in a 6 per cent drop in import volume over the first four months, although import prices rose 22 per cent. Exports, meanwhile, have risen by 16 per cent in volume and 39 per cent in value.

Without the drastic devaluation, however, economists and politicians argued that Yugo-

slavia faced little real chance of success in eliminating what is, in effect, a deep seated structural problem. In order to achieve external equilibrium Yugoslav exports have to cover around 65 per cent of the import bill. The rest is balanced by invisible earnings from transport, tourism, and emigrant remittances.

Last year, however, exports covered only about 50 per cent of imports. The result was a record \$7.3bn (£3.13bn) trade deficit and a \$4bn balance of payments deficit. Reserves have been steadily running down and the foreign debt exceeds \$14bn.

One of the principal causes of this situation is that, over the past few years, the Yugoslav economy has grown at an annual rate of 6-8 per cent. Last year,

investment was running at the extraordinarily high level of around 40 per cent of GNP. At the same time the self-managing enterprises have been voting wage and salary rises far in excess of productivity gains. Higher military budgets and social spending has further increased the burden on the economy.

One positive result is that 1.3m new jobs have been created over the past seven years.

Another is that Yugoslavia now has much modern and productive equipment.

On the negative side, however, productivity gains have not kept pace. Nor have sufficient resources been channelled into developing domestic energy and raw materials. Too much investment has gone into the kind of manufacturing which requires a high level of imports. Some has been wasted through rivalries

between the country's constituent republics which have led to excess refinery capacity and irrational distribution of major investments like steel plants.

A booming home market, furthermore, has both sucked in imports and diverted exporters from competing in more difficult export markets. The drastic devaluation of the dinar, it is hoped, will shock Yugoslavs into a new sense of economic realism and, at a stroke, reverse the relative attractiveness of domestic and export markets.

Thanks to the new five-year trade agreement with the European Community signed two months ago, Yugoslavia has improved access to the European market. Prior to the devaluation there were considerable doubts whether it would be able

to take full advantage of the opportunities. The doubts should now be removed.

In order to be successful, however, the devaluation, which is being presented as the first stage of a stabilisation programme, will have to be accompanied by further measures to curb the otherwise massive inflationary effect. Theoretically, prices have temporarily been frozen. But this did not stop my Belgrade hotel raising its room price immediately by 30 per cent.

The authorities have promised further measures soon, believed to include the phasing out of food, rent and other subsidies to allow greater play for market forces. Small scale private enterprise also will be further encouraged. Greater price flexibility,

which is intended to allow more efficient enterprises to make greater profits and expose more clearly the deficiencies of the weaker, is bound to lead to higher inflation in the short run. The leadership's main task is to persuade Yugoslavs that they have to make sacrifices. As Mr. Stane Dolanc, a member of the 23-man party presidium, said recently: "Socialism does not mean just social welfare." To be successful it requires a new attitude to work and productivity.

The next few months will test the new leadership's political skills to the full. To its credit, it appears to be facing up to the economic problems frankly, and without any illusions. It remains to be seen whether it can carry the country with it.

## Presidential election issue splits another Portugal political group

BY JIMMY BURNS IN LISBON

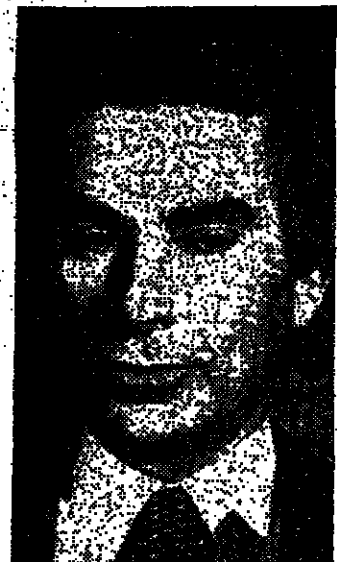
THE CANDIDACY for the presidential elections later this year is fast becoming the one issue around which Portugal's politicians are standing in unity or falling in chaotic division.

Less than a month after the governing Democratic Alliance managed with difficulty to patch over an internal revolt about the candidacy of General Antonio Soares Carneiro, another political grouping has been split wide apart by the same issue.

The Government's main parliamentary ally, a group of former dissident members of the Socialist party called the Reformadores (Reformers), has managed to stir Portuguese politics from its early summer lethargy.

A document, signed by 28 leading members of the group, publicly criticised the support for President Antonio Ramalho Eanes declared recently by the Reformers' parliamentary leader Sr. Jose Medeiros Ferreira. The signatories include Sr. Alvaro Barreto, the Minister for Industry, Sr. Eusebio Marques de Carvalho, the Minister for Labour, Sr. Vitor Cunha Rego, the head of Portuguese television, and Sr. Henrique Medina Carneira, a former Socialist Minister for Finance.

Missing, however, are the names of Sr. Medeiros Ferreira's parliamentary colleagues, Sr. Francisco Sousa Tavares and Sr. Antonio Barreto, fellow



Sr. Sa Carneiro: divisions among supporters.

founders of the Reformers who actively campaigned for the Democratic Alliance during last December's general election.

The Reformers group is not formally linked to the governing coalition of Social Democrats, Christian Democrats, and Monarchists. But their parliamentary support for the Democratic Alliance was implicitly sealed in a bilateral agreement which they signed last year with Sr. Francisco Sa Carneiro, the Prime Minister.

This support is important for the Alliance since the five Reformers in Parliament ensure

a workable parliamentary majority. Without them, the majority is reduced to a single fragile seat.

Parliament, however, is due to break for its summer recess on June 15 so the latest developments are unlikely to have serious repercussions in the short term. In the longer term, though, the issue of the presidency will lead to a significant reshuffle of present political alliances, before next October's general election. The presidential election is due in December.

The Democratic Alliance and the Reformers are the only political groupings so far to have openly debated the issue of the presidency. The Socialist Party, Portugal's major parliamentary opposition, has been locked in internal discussion for over two months. The party leadership has publicly condemned the choice of General Antonio Soares Carneiro but has yet to choose an alternative.

Their most likely candidate is either President Eanes or Dr. Mario Soares, the former Prime Minister and the party's present leader.

Part of the confusion surrounding the presidential election stems from the fact that General Eanes has not declared publicly that he will stand although there is little doubt at this stage that he will, the exact timing of his announcement is still the subject for considerable speculation.

## I hope we're not pinching too many of your customers, Mr Wagstaff...

'...piggybanks are one of our strongest lines at the moment,' said Jenny James.

'Well, they're certainly convenient for 'paying in', said Mr Wagstaff. 'Not so easy when it comes to withdrawals, though, I seem to remember. So I expect we'll survive! But what was this new venture you wanted to talk about?'

'Ah! Well, as you know, our main business is with big stores all over the country. But we've recently decided we could do a very good local trade selling direct. And to do that, of course, we need a showroom.'

'Have you seen anything suitable?'

'Yes. As a matter of fact we have. There are some very reasonable freehold premises going in High Square, next to the cinema. Perfect for our purposes.'

'Well it could be a good investment in more ways than one, Mrs James. Tell me more and I'll see if we can help—even if you are setting up in competition!'



Wagstaff heard the penny drop.

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NOTICE OF REDEMPTION  
To the Holders of  
**Continental Oil  
International Finance Corporation**  
(now Conoco Inc.)

9 1/2% Guaranteed Debentures Due 1985

Issued under Indenture dated as of July 1, 1979, as supplemented

NOTICE IS HEREBY GIVEN that pursuant to the provisions of the above-mentioned Indenture, \$665,000 principal amount of the above-described Debentures have been selected for redemption on July 1, 1980, through operation of the Sinking Fund, at the principal amount thereof, together with accrued interest to said date, each in the denomination of \$1,000 bearing serial numbers with the prefix letter "M" as follows:

Outstanding Debentures bearing serial numbers ending in any of the following two digits:

02 15 20 25 30 31 33 61 63 69 99

Also Debentures bearing the following serial numbers:

2972 4772 5972 8972 9272 12272 13272 14272 15272 16272 17272 18272 19272 20272 21272 22272 23272 24272 25272 26272 27272 28272 29272 30272 31272 32272 33272 34272 35272 36272 37272 38272 39272 40272 41272 42272 43272 44272 45272 46272 47272 48272 49272 50272 51272 52272 53272 54272 55272 56272 57272 58272 59272 60272 61272 62272 63272 64272 65272 66272 67272 68272 69272 70272 71272 72272 73272 74272 75272 76272 77272 78272 79272 80272 81272 82272 83272 84272 85272 86272 87272 88272 89272 90272 91272 92272 93272 94272 95272 96272 97272 98272 99272

On July 1, 1980, the Debentures designated above will become due and payable in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Said Debentures will be paid, upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 15th Floor, 30 West Broadway, New York, New York 10015, or (b) at the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main, London, Paris or Zurich, or Credito Italiano S.p.A. in Milan or in Rome, or Bank Mees & Hope NV in Amsterdam, or Banque Internationale à Luxembourg S.A. in Luxembourg. Coupons due July 1, 1980 should be detached and collected in the usual manner. Payments at the offices referred to in (b) above will be made by check drawn on a dollar account, or by a transfer to a dollar account maintained by the payee, with a New York City bank.

On and after July 1, 1980, interest shall cease to accrue on the Debentures herein designated for redemption.

CONOCO INC.

## NOTICE

The following Debentures previously called for redemption have not as yet been presented for payment:

M-3 23 1045 1945 2335 2987 3421 4431 5704 5935 7305 14327 15725 17315 20625 23240 23397 23515 23615 23715 23815 23915 24015 24115 24215 24315 24415 24515 24615 24715 24815 24915 25015 25115 25215 25315 25415 25515 25615 25715 25815 25915 26015 26115 26215 26315 26415 26515 26615 26715 26815 26915 27015 27115 27215 27315 27415 27515 27615 27715 27815 27915 28015 28115 28215 28315 28415 28515 28615 28715 28815 28915 29015 29115 29215 29315 29415 29515 29615 29715 29815 29915 30015 30115 30215 30315 30415 30515 30615 30715 30815 30915 31015 31115 31215 31315 31415 31515 31615 31715 31815 31915 32015 32115 32215 32315 32415 32515 32615 32715 32815 32915 33015 33115 33215 33315 33415 33515 33615 33715 33815 33915 34015 34115 34215 34315 34415 34515 34615 34715 34815 34915 35015 35115 35215 35315 35415 35515 35615 35715 35815 35915 36015 36115 36215 36315 36415 36515 36615 36715 36815 36915 37015 37115 37215 37315 37415 37515 37615 37715 37815 37915 38015 38115 38215 38315 38415 38515 38615 38715 38815 38915 39015 39115 39215 39315 39415 39515 39615 39715 39815 39915 40015 40115 40215 40315 40415 40515 40615 40715 40815 40915 41015 41115 41215 41315 41415 41515 41615 41715 41815 41915 42015 42115 42215 42315 42415 42515 42615 42715 42815 42915 43015 43115 43215 43315 43415 43515 43615 43715 43815 43915 44015 44115 44215 44315 44415 44515 44615 44715 44815 44915 45015 45115 45215 45315 45415 45515 45615 45715 45815 45915 46015 46115 46215 46315 46415 46515 46615 46715 46815 46915 47015 47115 47215 47315 47415 47515 47615 47715 47815 47915 48015 48115 48215 48315 48415 48515 48615 48715 48815 48915 49015 49115 49215 49315 49415 49515 49615 49715 49815 49915 50015 50115 50215 50315 50415 50515 50615 50715 50815 50915 51015 51115 51215 51315 51415 51515 51615 51715 51815 51915 52015 52115 52215 52315 52415 52515 52615 52715 52815 52915 53015 53115 53215 53315 53415 53515 53615 53715 53815 53915 54015 54115 54215 54315 54415 54515 54615 54715 54815 54915 55015 55115 55215 55315 55415 55515 55615 55715 55815 55915 56015 56115 56215 56315 56415 56515 56615 56715 56815 56915 57015 57115 57215 57315 57415 57515 57615 57715 57815 57915 58015 58115 58215 58315 58415 58515 58615 58715 58815 58915 59015 59115 59215 59315 59415 59515 59615 59715 59815 59915 60015 60115 60215 60315 60415 60515 60615 60715 60815 60915 61015 61115 61215 61315 61415 61515 61615 61715 61815 61915 62015 62115 62215 62315 62415 62515 62615 62715 62815 62915 63015 63115 63215 63315 63415 63515 63615 63715 63815 63915 64015 64115 64215 64315 64415 64515 64615 64715 64815 64915 65015 65115 65215 65315 65415 65515 65615 65715 65815 65915 66015 66115 66215 66315 66415 66515 66615 66715 66815 66915 67015 67115 67215 67315 67415 67515 67615 67715 67815 67915 68015 68115 68215 68315 68415 68515 68615 68715 68815 68915 69015 69115 69215 69315 69415 69515 69615 69715 69815 69915 70015 70115 70215 70315 70415 70515 70615 70715 70815 70915 71015 71115 71215 71315 71415 71515 71615 71715 71815 71915 72015 72115 72215 72315 72415 72515 72615 72715 72815 72915 73015 73115 73215 73315 73415 73515 73615 73715 73815 73915 74015 74115 74215 74315 74415 74515 74615 74715 74815 74915 75015 75115 75215 75315 75415 75515 75615 75715 75815 75915 76015 76115 76215 76315 76415 76515 76615 76715 76815 76915 77015 77115 77215 77315 77415 77515 77615 77715 77815 77915 78015 78115 78215 78315 78415 78515 78615 78715 78815 78915 79015 79115 79215 79315 79415 79515 79615 79715 79815 79915 80015 80115 80215 80315 80415 80515 80615 80715 80815 80915 81015 81115 81215 81315 81415 81515 81615 81715 81815 81915 82015 82115 82215 82315 82415 82515 82615 82715 82815 82915 83015 83115 83215 83315 83415 83515 83615 83715 83815 83915 84015 84115 84215 84315 84415 84515 84615 84715 84815 84915 85015 85115 85215 85315 85415 85515 85615 85715 85815 85915 86015 86115 86215 86315 86415 86515 86615 86715 86815 86915 87015 87115 87215 87315 87415 87515 87615 87715 87815 87915 88015 88115 88215 88315 88415 88515 88615 88715 88815 88915 89015 89115 89215 89315 89415 89515 89615 89715 89815 89915 90015 90115 90215 90315 90415 90







Jurek Martin reports on Mr. Robert McNamara's career, from Ford to banking

## World Bank president to retire early

MR ROBERT McNAMARA announced yesterday that he would retire from the presidency of the World Bank in a year's time, after what will be 13 years service as head of the foremost international development institution.

He gave no reason for his decision, other than to note that he will be 65 next year, which is the bank's traditional, though not mandatory, retirement age. His three-year term at the bank's helm is not due to expire until 1983.

Mr McNamara, the one-time Ford Motor Company "whiz" managerial master of the U.S. Defense Department and prime architect of the Vietnam war, has himself shown some signs of physical wear and tear in recent years and is known to be concerned about the health of his wife.

But, in a memorandum to the organization's executive board, Mr McNamara said that a number of critical policy and financial initiatives had recently been, or were about to be, resolved and that therefore a change of leadership was appropriate.

By custom, though not by law, the presidency of the World Bank is an American appointment — just as the managing director of its sister organization, the International

Monetary Fund, is vested in European hands.

The choice of a successor to Mr. McNamara is likely to depend on who the next President of the United States turns out to be. Previous office holders have been drawn from the world of government (Mr. McNamara and Mr. Eugene Black, for example) and from finance (Mr. George Woods and Mr. John J. McLoey), while the fifth, Mr. Eugene Meyer, was both a financier and publisher of the Washington Post newspaper.

### Successor

If Mr. Carter is still in office next year, he might reach into the ranks of past or present senior administration officials (Mr. Cyrus Vance and Mr. Michael Blumenthal, ex-secretaries of State and Treasury, spring to mind); if Mr. Reagan is in the White House, he might select a businessman with international experience. But bank officials emphasised that at this stage speculation was very thin on the ground.

It is also conceivable that a Canadian of stature could be tapped for the post, such as Mr. John Turner, the former Finance Minister, should he decide in a year's time that his domestic political career has run its course.

Certainly when President



Mr. McNamara... "time for change."

Johnson picked Mr. McNamara — a global "scoop" incidentally, by the Financial Times back in 1968 — he surprised the world. The then Secretary of Defence was starting to incur much national opprobrium for his role in prosecuting the increasingly unpopular Vietnam war and, it was suggested rather unkindly at the time, was endeavouring to expiate his Vietnam sins by taking on the most challenging job in the world of development.

Whatever the original rationale, there is no doubt that Mr. McNamara has transformed the institution since he took over — to the point where, for years, it has been known as "McNamara's Bank."

During his tenure, the bank's annual lending has risen from under \$1bn to its current \$11.5bn; its professional staff has risen from about 900 to 2,300, plus any number of consultants on top.

Its management structure has been radically altered, initially concentrating authority in the hands of the President and his inner circle of advisers, more recently tending towards decentralisation as the institution has grown.

The bank has also widened the focus of its programmes: if pressed, Mr. McNamara would probably say his greatest achievements were to draw attention to the overpowering issue of poverty, particularly rural, in the Third World, to the development of energy programmes in developing nations, to his role in contributing to the international debate on the need for population control, and to the drawing together of many disparate strands in this year's report of the Brandt Commission.

He is also known to be particularly satisfied that the People's Republic of China has

now been re-admitted to membership, which was finalised just last month.

Yet, given the pressing needs of the world's poorest countries, his most notable achievement at the bank has surely been in increasing its lending resources. When he took over, the bank was very dependent on U.S. Government and private markets funds. Yet this 70 per cent reliance in 1968 has dwindled to a mere 10 per cent today.

### Frustration

In part, this reflects what has obviously been Mr. McNamara's biggest frustration — growing American disenchantment with all forms of foreign assistance in the 1970s. But in spite, or perhaps because of this, he pushed the bank into more innovative forms of financing from the private sector, as well as lobbying with some success for continued official support for the International Development Association, the bank's soft loan arm.

Yet, Mr. McNamara had remained a controversial figure. His extraordinary energy, and an undoubted inclination towards authoritarianism, was often frustrating even to his own staff; and the Vietnam legacy has died hard in the U.S.

## Democratic convention may be hit by strikes

By David Lascelles in New York

New York City's uniformed employees, including the police, are considering a proposal that they strike during the Democratic Party's national convention, which is due to start here on August 11.

The employees' wage contracts expire on July 1, and they were originally planning to walk out on that date. However, the police union's new president, Mr. Philip Caruso, has planned for the August date, partly because he believes that July is too early a deadline for the negotiations.

But even though the police union carries a lot of weight, it was not clear yesterday whether other uniformed employees would support a strike. Many workers are impatient about the new contracts and feel a delay until August would take pressure off the City.

Against this, though, the possibilities for causing disruption during the convention will be enormous. The event will attract thousands of delegates, staff and camp followers, and will be the largest event hosted in the city for the foreseeable future.

## Senate expected to investigate missile alerts

BY DAVID BUCHAN IN WASHINGTON

THE Senate Armed Services Committee is likely to investigate the repeated false alarms last week from a faulty Defence Department computer suggesting that the U.S. was under nuclear missile attack from the Soviet Union, congressional officials said yesterday.

On both occasions, last Tuesday and Friday, the fault was detected within about three minutes, but not before the Strategic Air Command had been automatically alerted and activated its B52 nuclear bomber force. However, the ultimate stage — the launching of missiles or the dispatch of bombers towards the Soviet Union — would have required a Presidential order.

The repeated computer failure, similar to an incident last November, has caused some alarm among U.S. allies in Europe, and from the Soviet Union. Tass, the Soviet news agency, noted the U.S. explanation that the fault was technical, but commented that "the Ameri-

can military dangerously plays with the destiny of the whole world. It is noteworthy that sham nuclear alarms take place at the heat of malicious anti-Soviet hysteria being kindled in the U.S."

Senator John Tower, the senior Republican on the Committee, said over the weekend it ought to look into the computer failures. At the moment, however, his staff said the committee was preoccupied with the budget debate on defence and investigating another U.S. military failure: the aborted rescue stage — the launching of missiles or the dispatch of bombers towards the Soviet Union — would have required a Presidential order.

The Defence Department, meanwhile, has pointed out that the faults were at least detected within a matter of minutes, and that the problem has now been identified.

While details of this are classified it is known that the November 1978, incident took place because a test tape simulating a nuclear attack was erroneously run through the main air defence computer.

## Congress to debate petrol rationing plan

BY OUR WASHINGTON CORRESPONDENT

PRESIDENT CARTER, who last week suffered a severe rebuff from Congress on his oil import fee, is to send a new standby petrol rationing plan to Congress this week. White House officials said yesterday.

The oil import fee would have resulted in a 10 cent a gallon tax increase on petrol. It was never seen as a substitute for a petrol allocation plan, which would be kept on the shelf and only implemented in an emergency of a 20 per cent shortfall in oil supplies.

Congress has already given President Carter the authority to allocate petrol during a crisis, but it also wants to approve in advance the actual details of any rationing plan. In March 1979, Congress rejected a first standby rationing plan, asking the Administration to revise it to be less harsh on drivers with compelling reasons to travel.

The new plan is believed to

meet this objection. Under it, the Government would send out monthly coupon authorisations to owners of the 135m registered vehicles in the U.S. These would be converted into actual coupons at local banks, and then used to buy petrol or to be sold to other drivers on a "white market."

The Administration has estimated that in the worst of severe shortage that would trigger rationing, one gallon ration coupons could bring in as much as \$5 on this white market. At present the average gallon of petrol in the U.S. still costs less than \$1.30.

So far this year petrol consumption is down and stocks are at comfortable levels. However, the Administration does not want, in an election year, to be caught by the sort of sudden shortage that appeared a year ago, following the Iranian revolution and the drop in production there.

## Fifth Avenue demolition angers New Yorkers

BY OUR NEW YORK STAFF

ONE OF New York's largest property developers, Mr. Donald Trump, has angered conservationists by ripping down an Art Deco building in Fifth Avenue to make way for a new glass and steel skyscraper. Many of the building's features had been pledged to the Metropolitan Museum of Art, but Mr. Trump now says it would have been too expensive to save them.

The building in question is the former home of Bonwit Teller, the department store which closed down last year. Built in the 1920s, it was adorned with sculpted panels and a clock tower and was considered a good, though not spectacular, example of New York Art Deco.

When Mr. Trump, who is only 33, acquired the property, he made it clear that he was primarily interested in developing the site. He then announced plans for his \$100m skyscraper. However, having pledged the Art Deco work to the museum,

his company decided that the delay and cost involved in removing the sculptured limestone panels — 15 feet long — did not justify the rescue.

In a statement issued at the weekend, Mr. Trump said the removal cost would have been of the order of \$32,000, but this was not important.

"I contribute that much every month to painters and artists," he was quoted as saying. He was far more concerned about the extra costs in terms of delays which could amount to half a million dollars, he claimed.

Ironically, of whether the Bonwit Teller building was of artistic merit, the row over its destruction is another example of the concern shown by New Yorkers for their fast disappearing buildings. Their successful campaign to save Grand Central Station from destruction two years ago, spearheaded by Mrs. Jacqueline Onassis, is their greatest triumph to date.

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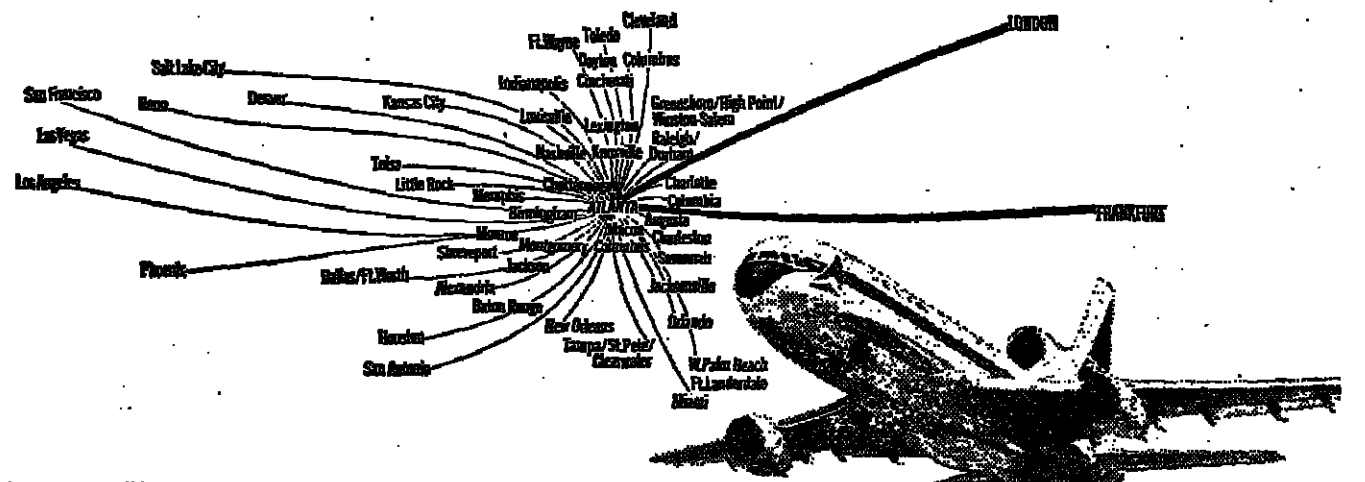
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\*All fares listed are for Peak Season. Although Peak Season applies June 15 until October 19, 1980 fares may vary depending on departure date, so check for details. Schedules and fares are subject to change without notice. Fares may vary due to currency rate of exchange.



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## WORLD TRADE NEWS

## Iranians on trade mission to India

NEW DELHI—A 17-member Iranian trade delegation led by Dr. Reza Sadr, the Commerce Minister, arrived here yesterday to discuss urgent purchases from India to beat Western economic sanctions over the continued detention of U.S. hostages in Tehran.

Indian officials said a tentative shopping list sent to India covered a wide range of industrial, chemical and agricultural products urgently required by Iran.

But the officials said not all items on the list were readily available for export. The list includes sugar, of which India has just decided to import 200,000 tonnes.

Dr. Sadr's main talks will be with Mr. Pranab Mukherjee, his Indian counterpart, and Mr. Charanjit Chhanna, the Minister of State for Industries.

Dr. Sadr, who will call on Mrs. Indira Gandhi, the Prime Minister, tomorrow, will also have talks with Mr. Virendra Patel, the Petroleum Minister and Mr. P. V. Narasimha Rao, External Affairs Minister.

Indian exports to Iran so far mainly comprise minerals, chemical products, engineering goods, iron and steel, textiles, leather products, tea and spices.

In the 1978-79 financial year, India's exports to Iran were Rs 924m (£49m) compared with Rs 3.5bn worth of imports from that country mainly crude oil and petroleum products.

Officials said that, apart from sugar, agricultural products on the Iranian list included wheat, rice, corn, barley, vegetable oils, fats, animal and poultry feed.

In the industrial sector, Iran required iron and steel, aluminium, copper, tin, machine tools, paper and cardboard, textiles, tanning extracts, colours, soaps and washing products, gun powder and explosives, automobile spare parts, wood and ceramic products.

After the talks, the Iranian delegation will visit industrial concerns in Bombay and five other cities.

Reuter

## Big rise in East bloc's Iran sales

BY ANDREW WHITLEY IN TEHRAN

EASTERN European countries have increased significantly their share of the Iranian market in the past three months and look set for a further large jump in the coming months as a result of contracts and trade agreements recently signed or under negotiation.

On Sunday, Iran and Romania signed the most expensive trade pact reached here since the imposition of U.S. economic sanctions in January. Contracts with the Soviet Union and Yugoslavia on the provision of technical services, are also expected shortly.

Trade between Iran and Romania in the first four months of this year amounted to about \$800m (£341m). By comparison, trade for the whole of last year came to only \$500m.

Meanwhile, the Communist bloc, including China and North Korea, has increased its share of Iran's oil exports to nearly one third, compared with less than 10 per cent during the Shah's rule. Current contracts

are believed to be for just under 200,000 barrels a day, of which Romania takes half.

Under the latest memorandum of understanding with Romania, Bucharest is to provide a wide range of industrial goods and food stuffs in short supply in Iran. Wheat, sugar, meat, eggs, dairy products and chemical fertilizers and industrial spare parts have been cited, though specific contracts have still to be signed.

More significant is the way in which Romania, and to a lesser extent Yugoslavia and the Soviet Union, are moving into the oil, gas and petrochemical sectors, previously the preserve of the U.S.

Mr. Shojaudin Sattahi, Iran's Deputy Commerce Minister, noted after the signing of Sunday's agreement, that much of the oil exploration work and the construction of refineries, within the Soviet bloc has been handled by the Romanians.

Almost every day Romanian, Yugoslav and East German

technical experts have been calling on the National Petrochemical Company in Tehran with a view to picking up some of the work on major projects abandoned by U.S. and other Western companies. Particular interest is being shown in the unfinished giant Iran-Japan petrochemical complex at Bandar Khomeini.

Last month the Soviet Union is known to have bid along with Iranian contractors, for a contract worth tens of millions of dollars to maintain and replace damaged sections of the Igat-I gas pipeline to the Soviet border.

A senior official in NPC said yesterday he expected to sign agreements with the Yugoslavs in some of a number of areas, including equipment and material supply, management and training.

Yugoslavs have already taken over the running of Iran's largest copper mine, at Sar Cheshmeh, formerly the respon-

sibility of America's Anaconda company. The Romanian memorandum also referred to the possibility of co-operation in exploration for copper, gold, lead and tin in Iran.

Another psychological blow for the U.S., though not one of considerable economic significance, will be the takeover by the Romanians of the old General Motors car assembly plant outside Tehran, who are to build a small van of their own design. GM has effectively abandoned the plant, which is still turning out half a dozen luxury models a day based on stock-piled kits.

Romanian tractors are being assembled in Cabriz under a long-standing arrangement which, during the Shah's last years, was being phased out in favour of Massey-Ferguson tractors now being built alongside. Now there are suggestions that because of sanctions, it is the Canadian-British company which may be the loser.

## Foreign car sales in Japan now falling

SALES OF foreign cars in Japan have dropped off sharply this year after three years of fairly rapid growth.

From January to May sales fell by 24.8 per cent from the comparable period last year to 20,401 cars. U.S. models fared the worst among the importers, with sales down 37 per cent to only 4,932 cars. West German cars, holding the largest market share were down 23 per cent to 11,783 units. The UK sold 1,610 cars during the five months, roughly the same number as a year ago.

The major reason for the decline appears to be price increases related to the sharp decline of the Yen early this year.

Despite the steady increases in sales over the past three years, foreign cars still represent only about 2 per cent of the total Japanese market for passenger cars. This is mainly because difficulties involved in importing and distributing cars have tended to discourage foreign car makers from serious efforts at building up sales.

Perhaps the greatest barrier is simply that the price of foreign cars is normally more than double that of an equivalent Japanese built car. The Japanese Volkswagen Golf model, for example, is priced at ¥1.0m, or twice the Toyota Corolla.

The foreign car importers' association is cautiously predicting that sales could turn upwards in the autumn. The original sales target for 1980 of 66,000 cars has been reduced to about 60,000 cars.

Honda Motor said it has signed a contract with Yugoslavia's Standard Metaliska Industrija to jointly produce multi-purpose engines in Yugoslavia. Reuter reports from Tokyo.

The joint company, Mio Standard Oor Torvorna Motora Osijek, will build a Yen 1.1bn factory in Osijek, northern Yugoslavia, where production will start next year at an initial rate of 1,500 engines a month. Honda said, but said it will put up 18 per cent of the necessary cost.

## Tokyo sees China's investment future brighter than U.S.

BY RICHARD C. HANSON IN TOKYO

JAPANESE businessmen rank China as a more promising area for "future" investment overseas than North America in a broad range of industries, most notably wholesale, retail, chemicals and machinery.

A recent survey by the Long-Term Credit Bank of Japan also reveals, however, that the Japanese remain sceptical over whether joint ventures in China can succeed under present conditions. It concludes that China may have to adopt a variety of incentives to assure that foreign company investment will be both safe and feasible, if the country wants a rapid rise in such investment.

**Joint ventures**

The Japanese companies surveyed (235 responded) ranked China second after the Asian region (excluding Taiwan, South Korea and Hong Kong) in a list of most promising areas to place future investments. Asia was named by 18 per cent while China got 17 per cent and North America 16.7 per cent. (Western Europe came in with 6.1 per cent.)

The survey was conducted in January at the request of the Chinese, who have been trying to attract foreign investment as part of their overall modernisation plans. Since a joint venture law was published last year by China there have been a number of specific proposals for Japanese joint ventures. None of these has yet to get under way, probably for the reasons most often referred to in the survey.

The most pressing concern of Japanese businessmen surveyed was that present economic policies could be discontinued suddenly, cited by 25.1 per cent of the companies. The lack of an adequate legal system to clarify the role and rights of a joint venture was the second biggest worry, followed by underdeveloped transportation, electric power supplies and other national infrastructure, and the "rigid" Chinese bureaucracy.

A full 37 per cent of those responding said they believed

sudden nationalisation was possible if China, again shifts economic policies.

These obstacles appeared to outweigh in many cases the incentives that China presents as an investment location. The most frequently named reason for investing was the size of the Chinese market (36.9 per cent of the responses), the availability of cheap labour (38.3 per cent) and raw materials (20.2 per cent).

Although the Chinese labour force received good marks for quality (44 per cent said it was equal to South Korea's work force), the Japanese are fearful that the lack of understanding of modern management techniques could result in internationally uncompetitive joint ventures, despite the advantage of lower wages.

Japanese companies said the Chinese consider large volume production by joint ventures a more important goal than low-cost production. They also worry that workers in joint ventures will demand wages on a par with those received overseas for similar industries, the survey revealed.

**Confusion**

The Japanese also complain that there is a basic shortage of information from China on which a company can assess whether a joint venture will be successful or not. Information on such matters as electric power, railways and road transport, ports, supplies and other costs are not made available for feasibility studies before the company decides to embark on a joint venture.

The general complaint of poor communication among the Chinese themselves, creating confusion and delays, was frequently mentioned.

The report indicated that some of the problems, such as guaranteeing a venture against nationalisation (or at least providing for compensation in such case) could be eliminated by a bilateral agreement between the two governments.

Other problems, based on the differences in social systems, will take a lot of time to resolve.

## Rapid rise in Denmark's coal imports

BY HILARY BARNES IN COPENHAGEN

THE DANISH electricity utility Elsam has signed an agreement with the Exxon subsidiary Interco for the supply of 2m tonnes of Colombian coal a year for 14 years with the first deliveries taking place in 1988.

Interco and the Colombian State jointly own the mine from which the coal will be produced. Denmark's coal imports have risen from 2.2m tonnes in 1972 to 7.2m tonnes last year and by the end of the century are expected to reach 20m to 25m tonnes a year.

Two-thirds of the country's electricity supply is now based on coal and the share will increase to about 80 per cent over the next few years, according to Government energy plans.

Denmark's April trade deficit was Kr 2bn (£154m), compared with Kr 1.1bn in April last year, bringing the deficit for the year so far to Kr 3.4bn, compared with Kr 5.3bn in the same period last year.

Energy imports in April rose to Kr 2.2bn from Kr 1.3bn in

1979. Energy imports for the first four months totalled Kr 8.8bn, compared with Kr 5.1bn last year. Total imports so far this year has risen by 34.5 per cent to Kr 39.6bn and exports by 29.2 per cent to Kr 31.2bn.

THE DANISH merchant fleet increased from 7m dwt to 8.5m dwt between 1975 and 1980, while the fleets of most other shipping nations were shrinking, the president of the Danish Shipping Association, Mr. J. D. Lauritzen, told the

association's annual meeting.

The number of vessels, however, declined from 918 at the beginning of the period to 774 at the lowest figure since 1964. In 1979 there was a reduction of 250,000 dwt in the fleet after the sale of 84 vessels, most of them small freighters.

Danish shipping companies on May 15 had on order 41 vessels totalling 530,000 dwt worth Kr 4.5bn. Some 85 per cent of the orders by value were with Danish shipyards.

## Philips Du Pont in tape talks

By Charles Batchelor in Amsterdam

PHILIPS, the Dutch electrical group, and the U.S. company Du Pont de Nemours, hope to co-operate in the field of magnetic tape. The two companies have begun preliminary talks aimed at an agreement on the development, manufacture and sale of the tapes Philips said.

Specifically the talks are about Du Pont acquiring a half share in Magneetbandfabriek Oosterhout, a company employing 250 people, in which Philips is at present the sole shareholder.

## Peking seeks aid on coal and oil

BY OUR WORLD TRADE STAFF

MRS MARGARET THATCHER, the Prime Minister, yesterday assured China that Britain is ready to play a big part in the Chinese programme to exploit coal and oil.

Mrs. Thatcher had a meeting at Downing Street with Chinese Vice-Premier Kang Shi-En, who has responsibility for short-term economic planning and energy.

Vice-Premier Kang is in Britain until Saturday inspecting Britain's coal and North Sea oil installations. China is embarking on a major programme

to exploit off-shore oil and its coal mines. Britain is hoping for orders in both fields.

Mrs. Thatcher has a standing invitation—extended by Chairman Hua Guofeng—to visit China but it is unlikely that she will do so this year.

The French State-owned Elf Aquitaine oil group will shortly send a mission of experts to China to look into the possibility of inland oil exploration in that country, the company president, M. Albin Chalandon, said yesterday.

M. Chalandon, who made the

announcement after conferring with Premier Raymond Barre did not elaborate, but added: "France was 50 years late in the Middle East but is the first in China."

Asked if he favoured a French-Norwegian venture in China, recently suggested by the Norwegians, M. Chalandon replied: "If the Norwegians want to share the risks they are welcome."

## Hong Kong in water deal with China

BY PHILIP BOWRING IN HONG KONG

HONG KONG recently signed a new water supply agreement with China, an event played down in Hong Kong but with a major economic and political significance. The deal has three key aspects in that it greatly increases Hong Kong's dependence on China and enhances China's earnings from water sales to Hong Kong.

It also means that the Hong Kong government will in effect be making a loan to China. At present China is selling some 170m cubic metres of water a year to Hong Kong at a price of 0.15 yuan per cubic metre. Under the new agreement, from 1983 onwards, China will increase its supply by some 35m cubic metres a year so that by around 1992 annual supply will reach 620m cubic metres.

At present China earns HK\$60m (£5.2m) a year from water sales. This will be increased to about HK\$220m a year by 1992 even without an increase in the price. The agreement provides for new supplies to be at the same price as the current one, but is subject to revision. The water price was last raised in 1978 when it jumped 50 per cent from a level set in 1960.

To provide Hong Kong with more water, China is going to have to build more pumping stations and undertake works on the East River, from which

supplies are drawn. To help the Guangdong provincial Government to finance this, the Hong Kong Government is understood to be making an advance payment for the water. The size and terms of this payment are secret, and the Hong Kong Government refuses to discuss the matter. But there is no question that it is, in effect, a loan from the Hong Kong Colonial Government to the Guangdong provincial Government.

The additional supplies from China mean that by 1992 Hong Kong will be reliant on China for some 60 per cent of its demand, which is expected to grow at around 6 per cent a year between now and 1992. At present Hong Kong gets only 30 per cent of its supplies from China and has always placed heavy emphasis on the need for a high degree of self-sufficiency.

The new agreement thus represents a sharp change in Hong Kong policy brought about by the improved political climate and the initiation of the "four modernisations" policy. Hong Kong now sees its security as enhanced by maximising its profit to China. In addition the cost of alternative water sources has been rising rapidly. Almost all Hong Kong's own water catchment areas are already being used, and desalination has become costly in the wake of continuing oil price increases.

## Penguins on sale in Peking

PEKING — Penguin paperbacks have gone on sale in Peking. They are the first foreign books, other than the occasional guide book, to become available on book stands in the Chinese capital. The choice of titles leans heavily towards science fiction, interspersed with mystery and spy stories and thrillers.

The only other foreign publications on regular sale in Peking include the U.S. news magazine Time and Newsweek, the Economist of London, West Germany's Der Spiegel, the Far Eastern Economic Review from Hong Kong, and the Readers' Digest. Reuter

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ANNUAL GENERAL MEETING OF THE SHAREHOLDERS HELD  
In Madrid on May 28th 1980.

The following are extracts from the address delivered by the Chairman of the Board of Directors, Mr. Abdulla A. Saudi.

- Aresbank continued its successful growth establishing itself as a reputable and solid financial institution, both nationally and internationally.
- The highly bright record of our Bank is due to several factors, including the valuable support from our shareholders and banking colleagues with whom we maintain very close and mutually beneficial relationships.
- Aresbank signed 39 loans totalling about US\$ 1,119 Millions thus making our Bank one of the most active in Spain in this field.

- Total deposits at year end amounted to US\$ equivalent of 845,6 Million.
- The equity capital amounts to 3 Billion Pesetas (equivalent to US\$ 45.4 Million), while total shareholders' equity reached Ptas. 4,050,6 Million (US\$ equivalent of 61,3 Million).
- Operations related to foreign trade activities continued during the year under review at a satisfactory level.
- Net profits before taxes amounted to Pesetas 532.2 Million (equivalent to US\$ 8,1 Million), out of which Ptas. 184 Million (equivalent to US\$ 2,8 Million) is to be distributed as dividends.

AUDITED BALANCE SHEET\* (in thousands of USA dollars) - December 31st 1979.

Mid market rate of exchange: 1 USA \$ = 66.049 Ptas.

ASSETS		LIABILITIES AND SHAREHOLDERS' EQUITY	
Cash and bank of Spain	1,169	Demand deposits	27,328
Due from banks		Time deposits	
Pesetas	21,738	Pesetas	35,127
Foreign currency	594,506	Foreign currency	783,172
	616,246		818,299
Loans		Accrued interest payable	17,932
Pesetas	65,154	Income taxes, current and deferred	2,828
Foreign currency	214,108	Other liabilities	3,254
	279,262		868,647
Provision for possible loan losses	9,665	SHAREHOLDERS' EQUITY	
	269,597	Share capital	45,421
Equity investments	5,625	Retained earnings	9,403
Bonds	6,102	Net income for the year	6,504
Bank premises and equipment, net of allowances for depreciation	11,953		61,328
Accrued interest	19,304		930,969
Other assets	973		
	930,969	Documentary credits, acceptances and guarantees per contra	298,538
Customer's liability for documentary credits, acceptances and guarantees	298,538		1,229,507
	1,229,507		
MEMORANDUM ACCOUNTS	599,707	MEMORANDUM ACCOUNTS	599,707

\* These are abbreviated financial statements extracted from those expressed in Pesetas audited by Ernst & Whinney. Full audited financial statements are available upon request to the Bank.

مكتبة النخيل



## Cadbury will make 700 redundant

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

GADBURY SCHWEPPE'S is to make 700 workers redundant at Bournville, Birmingham, as confectionery sales continue to slide.

Negotiations have opened with another 2,800 workers at the group's Bristol factory about short-time working.

At Rowntree Macintosh up to half the 14,000 workforce has been on short-time this year.

The confectionery industry, with a 70,000 workforce and sales of £1,800m a year, complains of the impact on trade of the higher level of VAT introduced last year. Spending on confectionery has increased but the volume has dropped.

High interest rates have forced many retail outlets to cut stocks. This has caused a sharp drop in orders.

Cadbury Schweppes said the 5,000 workforce at Bournville would have to be cut by about 700. Those made redundant would be mainly women working part-time on the production and packaging lines.

### Strong pound

The company complained of the drop in UK sales and the difficulty of exporting with a strong pound.

At Rowntree Macintosh the numbers on short time have been cut to 800. The company said continuation of this position would depend on whether sales improved. Only 55 workers have so far been made redundant.

George Bassett is closing its

## High prices for Beaton furnishings

BY ANTONY THORNCROFT

CHRISTIE'S DISPERSAL yesterday of the contents of Reddish House, Broadchalke, Wiltshire, the home of the late Sir Cecil Beaton, attracted a great deal of interest, and prices generally were well above forecast. The morning session brought in £164,154, around 20 per cent above the estimate, and everything sold.

Top price of the day was the £10,000 for a set of Flemish oval marble medallions of the four seasons, dating from the early 18th century, and also for a Louis XVI tulipwood commode by F. Reizell. An Empire mahogany bureau plat sold for £7,500 and a bureau en pupitre of the same period went for £7,000.

An Italian Stellan Jasper and marble panel mounted on a dining table was bought for £6,500 while a pair of giltwood pier glasses made the same price. A black limestone centre table, the circular top inlaid with pebble shaped specimens of semi-precious stones and marbles, sold for £6,000.

The house was sold by Knight Frank and Rutley for £225,000. Prints of views of the River Rhine from Speyer to Dusseldorf by Johann Ziegler were sold for £19,500 to a German buyer in a sale of prints at Phillips yesterday. The album, dating from around 1795, and containing only 44 of the 50 hand-coloured etchings after L. Janscha, was published by Artaria. It caused much interest among German buyers.

The sale realised a total of £31,918 with a set of six hand-coloured aquatints of the Northampton Grand Steeple-chase, March 23 1833, by Henry Pyall after James Pollard, selling to a London dealer for £2,400.

## Joseph acts on high-technology investment

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE PROBLEMS financial institutions have in vetting investments in high-technology projects are to be studied by Sir Keith Joseph, Industry Secretary.

During his recent two-week visit to the U.S., which included meetings in the micro-electronics centres of California, he was impressed by the way private sector funds were made available for high-risk ventures.

On his return to the UK yesterday he said he had also been impressed by the facilities available in the U.S. for

would-be entrepreneurs to start new projects through an extensive "venture capital network."

"There are wealthy individuals and funds who can take risk money through venture capital entrepreneurs, themselves often young veterans of high-technology industries," he declared.

People in their early 30s retired from their own ventures and then used their skills to guide wealth into high-technology projects. Sir Keith had been told of one

venture capitalist who examined a potential project every day and backed about six a year.

Of these, only a fifth turned out to be "stunning successes" and a further fifth were failures.

"The significance of this is that these sources of capital are guided by people from within the industry. They transfer their own high technology skills to funding others."

Sir Keith acknowledged that such funds are not available in the U.K. He recently com-

missioned a study of the problem by his Department, after two meetings in London with representatives of small high technology ventures and financial institutions.

But he has shown no interest in increasing the amount of industrial aid for high technology and he still has to make a final decision on funding for the INMOS microchip company.

Sir Keith also visited Mexico, and said he was "very impressed" with the rapidly growing Mexican economy

and would do his utmost to bring it to the attention of British business. Britain had been late in realising the Mexican potential, especially for high technology and capital goods.

"There are no quick pickings in Mexico. But there is the prospect of establishing a growing market in a stable framework."

He said he would urge Mrs. Thatcher to visit the country. Lord Carrington, Foreign Secretary, and Mr. John Nott, Trade Secretary, are to go there this year.

## Construction decline 'likely to continue'

BY MICHAEL CASSELL

UK CONSTRUCTION industries can expect a widespread and continuing decline in their workload for at least the next three years, according to the latest set of forecasts from the Building and Civil Engineering economic development committees.

The committees, in what now seems to have become a ritual repetition of the gloomy prospects facing the construction sector, say that the downward trend in activity which has characterised the industry for several years is set to carry on.

According to the forecasts, a steep downturn in the overall workload is expected in the current year. After last year's 6 per cent decline in the value of new work undertaken, the committees suggest that a further 5 per cent fall will be recorded in 1980. A further 5 per cent drop is expected in

1981 and a limited fall in output is also likely in 1982.

When repair and maintenance contracts are taken into account, the overall position looks slightly better, though the committees give a stark warning that this type of work—which has enjoyed an unprecedented boom in the last three years and managed to offset the bleak picture elsewhere—is also set to tail off.

By the end of 1982, the industry's workload is likely to be as much as 20 per cent below the level recorded in 1972. The only area of the construction industry which is thought likely to show any growth throughout the period under review is the private commercial sector, though the volume of business is not expected to grow by more than 5 per cent by the end of 1982.

The housing sector bears the

brunt of the projected downturn. The committees conclude that new housebuilding programmes in the public sector will fall dramatically and that the outlook has deteriorated further since the last forecasts were made in December 1979.

Earlier suggestions that public sector housing starts could reach 70,000 in 1980 and 1981 have now been cut, with the committees predicting no more than 55,000 this year and 45,000 in 1981 and 1982. Completions are expected to fall to 95,000 this year against 102,000 in 1979, and will decline to only 50,000 by 1982.

In the private housing sector, the number of houses on which work begins is expected to drop sharply to around 115,000, compared to 140,000 in 1979.

Construction Forecasts 1980/1982, NEDO Books, £5.25p.

## BSC plans to shed 1,500 Scottish jobs

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE BRITISH Steel Corporation wants to shed up to 1,500 jobs in its Scottish division by next March, union leaders were told yesterday.

Mr. Jake Stewart, the BSC's Scottish director, told Mr. James Milne, general secretary of the Scottish TUC, and Mr. Arthur Bell, Scottish officer of the Iron and Steel Trades Confederation, that it was hoped many jobs could be shed by natural wastage, although redundancies could not be ruled out.

BSC now employs just under 10,000 people in Scotland, compared with 15,000 in 1976.

It wants to reduce this to 8,500 and has been discussing with the unions how the jobs can be cut without losing productivity.

Much of the reduction would fall on the modernised Ravenscraig works at Motherwell, which employs more than half the Scottish workforce.

Since the end of the strike last winter the works has been moving towards its target output of 2m tonnes of liquid steel a year, at which it should break even.

Redundancy negotiations are under way to cut the number of staff at BSC's Welsh division headquarters in Cardiff by a third, writes Robin Reeves.

The cut, which will reduce the number employed from 300 to 200, represents BSC's Welsh steel production to 2.5m tonnes, creating over 11,000 redundancies at Port Talbot and Llanwern steelworks.

In the early 1970s, BSC's Welsh division was responsible for steel plants employing over 70,000 workers. By the end of this year the number will be no more than 16,000—a drop of 30,000 from a year ago.

## Commons Treasury Committee attacked

THE STRAINED relationship between the Government and the all-party Treasury and Civil Service Committee of the Commons has come out into the open following public criticism of the MP's work by Mr. Nigel Lawson, Financial Secretary to the Treasury.

The criticism comes in the somewhat unusual form of a statement made by Mr. Lawson

during a meeting with regional City editors yesterday and issued by the Treasury.

After stressing the "important and distinguished" role of the committee, Mr. Lawson said that in some respects it had made a disappointing start.

"Its recent report on the Budget and the Government's expenditure plans to 1983-84

fails to grasp what the Government's underlying financial strategy for the medium term is about."

The statement highlights some of the strains which appeared during the committee's hearings in April and in its report a month ago. Treasury ministers felt that the committee, which is chaired by Mr. Edward de Cann, Conservative

MP for Taunton, was concentrating too much on highly uncertain projections and too little on board policy. In part this was the result of the decision to leave major policy discussion pending an inquiry soon into monetary policy.

There is a lot of interest both in Westminster and in Whitehall to see how this relationship develops both during the

monetary inquiry and during Treasury short study of information disclosures.

In his statement Mr. Lawson conceded that part of the fault might lie with Treasury Ministers for failing to make clear the true nature of the strategy. He then explained and defended the strategy and its centrepiece, the medium-term monetary target.

## Footwear job losses 'due to imports'

IMPORTS were blamed for the loss of about 400 jobs announced yesterday by the footwear manufacturing division of the Ward White Group of Northamptonshire.

The group, which employs about 5,000 people, will close six units, five in Northampton and one in North Wales and concentrate shoe production in three main northampton factories.

The group said: "In recent months the men's leather footwear trade has suffered from an increasing volume of imports and a downturn in exports due to the strength of the pound."

"This, coupled with a fall in retail sales of men's footwear, has led to a serious shortfall in manufacturing orders which has necessitated extensive short-time working."

More than 175 jobs will be lost with closure of a jute-spinning mill and a weaving plant, owned by Scott Robertson, in Dundee. The company blamed the recession in the floor-covering industry, and drop in demand consequent on strength of sterling.

Operations will be concentrated at two of the company's other plants in the area.

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## UK NEWS

## Employers look into print dispute split

BY ALAN PIKE

THE BRITISH PRINTING Industries Federation is to conduct an inquiry into the failure of its 3,700 members to maintain a common front during their recent pay dispute with the National Graphical Association.

During the dispute, the most serious to hit the industry for some years, the BPIF decided on a policy of suspending printworkers taking industrial action.

Many companies failed to follow the suspension policy, and some took business from those that did. In the resultant turmoil the national agreement which provoked the dispute disappeared, and most companies have settled at local level.

Concern about the conduct of the industrial action was voiced at the federation's annual meeting in London yesterday, where it was decided that the inquiry should be set up, and report as soon as possible.

Mr. Stanley Clarke, acting chairman of the federation's industrial relations committee, warned that its negotiators could not be expected to "deliver in the end for what turns out to be a federation of semi-autonomous bodies with a whole variety of attitudes which pull individual members in different directions."

The question of survival had been paramount for many companies, but "a reaction which only takes account of tomorrow, rather than longer-term fitness, does not augur well for the industry."

There must be a review as to why so many members failed to follow federation advice "in the knowledge that the NGA's tactics were designed to pick us off one by one."

Mr. Clarke said that the NGA was pursuing an "aggressive" wages policy likely to lead to lost jobs in an industry which has so far maintained its employment levels.

He commented on the action of the Newspaper Society, the organisation representing provincial newspaper companies, which went into the dispute with the BPIF, but began separate negotiations while the action was in progress.

It was possible, said Mr. Clarke, that the Newspaper Society had reached the right conclusions which would in the long run prove in the best interests of both organisations.

The BPIF has, through resignations and expulsions, lost about 200 members since the dispute, though a number of other companies joined for the first time when faced with industrial action.

It is not the first time employers' organisation to have discovered the difficulties of maintaining solidarity among a diverse membership, and the inquiry will be concerned with ways of overcoming such problems.

## Ambulance warning

AMBULANCES are not a hospital taxi service says the North Western Regional Health Authority.

They have launched an economy campaign after they discovered an average 400 wasted trips a day were made in Greater Manchester—mainly because of wrong addresses and appointment times being given, and patients being out when ambulances arrived.

## BNOC to end Texaco contract

By Maurice Samuelson

BRITISH NATIONAL OIL Corporation has refused to renew a contract to supply crude oil to Texaco. For the past two years Texaco has been purchasing about 20,000 barrels a day from the State-owned oil concern.

News of the decision follows BNOC's agreement to increase supplies to British Petroleum from about 120,000 b/d to about 200,000 b/d in the second half of next year.

BNOC refuses to discuss its relations with its customers. It therefore will not comment on suggestions that it is shifting supplies to help BP, which has lost all its traditional sources in Iran and some in Nigeria.

Texaco will, however, be more than compensated by the oil which it is due to start producing at the end of next month from the North Sea Tartan Field. By the end of next year Tartan is scheduled to yield about 75,000 b/d of crude.

The Department of Energy said last night it was aware the Texaco contract had not been renewed.

## Bridges over M1 bridges

THE CONSTRUCTION of "bridges over bridges" on the M1 near Heath and Barborough in north Derbyshire started yesterday.

The temporary bridges, which will take seven weeks to complete, are necessary because of the danger of mining subsidence under the motorway.

## Pregnancy test drug company loses plea in Appeal Court

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

Schering Chemicals, the West German drug manufacturer, which faces worldwide lawsuits alleging that a pregnancy testing drug caused deformities in children, has failed in an attempt to have claims by five English children heard together.

The Court of Appeal yesterday upheld a High Court judge's decision that two of the claims, fixed for October 5, 1981, should be heard first, the other three being deferred.

Schering Chemicals and its English subsidiary also lost their appeal to have the question of whether the drug, Primodos, could have caused the deformities tried as a preliminary issue.

The Appeal Court had been told that the implications of the lawsuits were even wider than those in the thalidomide case. Primodos was first marketed in the UK in 1958. It has now been withdrawn.

Lord Denning said that there was a difference between the thalidomide and Primodos cases. Thalidomide had been proved beyond question to have caused deformities and the only question had been whether its makers had been negligent, said Lord Denning.

Primodos had not been proved to have harmed any child, and Schering denied that it was capable of doing so. Some of the congenital malformations in the children in the Primodos claims were also found in children whose mothers had not taken Primodos or any other hormone pregnancy test.

Preparations for the two cases fixed for hearing next year were well advanced. The other three cases had only just been started.

The first two both involved heart defects; the deformities in the others included hare-lip, limb shortening and droopy of

the spine. Schering contended that the heart defect cases would not give adequate guidance for the remaining claims because they did not cover a sufficient sample of deformities.

Lord Denning said that if the five cases were ordered to be heard together the trial might be delayed and made more expensive. All the plaintiffs were legally-aided and the British taxpayer should not be required to bear the extra expense.

Justice could be done if the two heart cases were tried first. If they failed, all the others would fail; if they succeeded, it would not follow that all others would succeed.

Rejecting Schering's claim for a preliminary hearing on causation, Lord Denning said that the issues of causation and negligence were inextricably bound together.

Lord Justice Dunn agreed that Schering's appeal should be dismissed with costs.

## Rescue for N. Ireland glassmaker

By Our Belfast Correspondent

AN AILING Northern Ireland crystal glassware maker which was in danger of closing has been bought by Mr. John Graham, a millionaire who emigrated to Australia from Northern Ireland 28 years ago.

Tyrol Crystal, based at Dungannon, has been seeking a buyer for almost a year in an effort to save the operation and the jobs of 150 people.

Mr. Graham, says he has acquired the entire equity of the company.

He has proposed an immediate injection of £450,000 for new machinery to increase production of lead crystal glass. He is confident a substantial world market exists for a quality product.

His plans will mean an increase in the labour force of about 40 once new furnaces have been installed.

Tyrol Crystal was established in 1971 with funds raised by the local community in an effort to combat unemployment. It has been sustained by aid from the Northern Ireland Department of Commerce.

Mr. Graham says liabilities amount to £1.2m. He hoped the company could return to profitability by April.

THE GOVERNMENT has removed Sir Arthur Peterson from his job as chairman of the Mersey Docks and Harbour Board and made him chairman of the National Ports Council, which it is in the process of abolishing.

He is being replaced by Sir John Page, chairman of the National Ports Council, whose appointment expires this month. Mr. Melise Nicolson, one of the three Government-appointed directors on the board of the Mersey Docks, has resigned because of his disagreement with the choice.

The Mersey Docks and Harbour Board held a special meeting yesterday to consider Sir John's appointment as a director and prospective chairman—a post he held for 51 years before moving to the NPC. After 11 hours the Board agreed to the new appointment which takes effect next week.

Sir Arthur, a former permanent under-secretary of state at the Home Office, had indicated to Mr. Norman Fowler, the Minister of Transport, that he would be happy to stay on as chairman of the Mersey Docks after his appointment expired in September.

He said yesterday that he was glad to join the NPC where he will be involved with its administrative run-down. He will also be concerned with its detailed study on the future of the Port of Liverpool.

Sir Arthur has never hid his view that Liverpool was being treated unfairly by comparison with London in terms of Government aid, and it has been suggested that this irritated Mr. Fowler.

NEW THREAT TO ROAD REPAIRS

GOVERNMENT CASH limits on local authorities could force a further cut of 7 to 8 per cent in road maintenance if inflation continues at more than 20 per cent, the British Road Federation has said.

Mr. Tony de Boer, chairman of the federation said in London: "This hidden squeeze must put crippling pressures on local authorities and I do not believe that road maintenance can escape."

## Consumer spending and credit begin to decline

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

SPENDING IN the shops and the amount of consumer credit extended, have both begun to fall in the past couple of months, according to the index of retail sales published yesterday by the Department of Trade.

The decline appears to have begun in the middle of April, and so is only partly shown in the figures, but it has subsequently been borne out by both the drop in new car registrations and the reports from store groups.

The final seasonally-adjusted index for April was 102.3 (1976=100) compared with a preliminary estimate of 103. This follows a figure of 102.6 in March and an average of 103.5 in the previous two months.

The Department of Trade says between March and April a decline in food retail sales (including off-licences), where trade may have been boosted in

March by pre-budget buying, more than offset an increase in sales by clothing and footwear retailers.

Because of the earlier higher level of trade the volume of sales between February and April was about 0.5 per cent higher than in the previous three months.

The average volume of sales by food retailers between February and April was 2 per cent higher than in the previous three months. Sales by household goods retailers fell 2 per cent and by clothing and footwear retailers dropped 1 per cent. The trade of other non-food retailers increased 2 per cent.

The level of new hire purchase and other credit extended by finance houses, other specialist consumer credit grantors and retailers has fluctuated sharply from month to month. The April total of

£676m compared with a revised £641m in the previous month and £665m in February.

But on a longer-term comparison, the value of new credit extended between February and April was only 1 per cent higher than in the previous three months. Since these figures are in current prices and the rate of inflation was much higher in this period, this implies a marked fall in the volume of credit.

In value terms, new credit extended by retailers fell 1 per cent over the three months. There was a 2 per cent rise for finance houses and other specialist credit grantors.

Based on non-seasonally adjusted data, the value of retail sales in April was 13 per cent higher than a year earlier. In the first four months of this year the average value of sales was 17 per cent higher than in the same period of 1979.

David Churchill on the slump in consumer spending

## High Street belts tighten

THE HIGH STREET price war is expected to intensify over the next few months in response to the slump in consumer spending in recent weeks.

Although most attention has been focused on the fighting between supermarket groups—backed by extensive television and press advertising—the competition between other High Street stores has been growing.

This battle has been fought mainly at the point of sale rather than on the television screens—but Littlewoods' decision this week to back its £10m price cut with a £60,000 advertising campaign may change that.

Littlewoods' price reductions on foods and clothing—partly financed by suppliers—seem likely to turn the traditional summer sales into something of a blood-bath. Already some department stores and smaller multiple stores are finding the combination of rising costs, high interest rates and falling demand is severely limiting their profitability. Many retail analysts expect more retail rationalisation this year, with some groups merging to their mutual advantage while others are taken over on the verge of collapse.

The position in the High Street is starkly different from 12 months ago. In early June last year, consumers went on an unprecedented spending spree before the Conservative Government's first Budget. Shoppers' anticipation of an increase in VAT—it rose to 15 per cent—proved correct and a sharp sales fall followed.

Spending partly recovered in the autumn with the October tax rebates, but some sectors—particularly clothing and footwear—were badly hit. In spite of a late rush, pre-Christmas spending was less than expected, although areas such as consumer durables remained in heavy demand.

Retailers' expectations of a post-Christmas slump proved unfounded, however, as retail sales stayed relatively buoyant. Some retailers had felt that

the rising inflation rate and, more important, the rise in mortgage and bank overdraft interest rates would squeeze sales. But as it turned out, any loss of sales there was more than compensated for by the high wage settlements achieved by consumers not saddled with heavy financial commitments.

Thus, while the bastions of the middle-class—the department stores—have suffered badly all year, more down-market chain stores such as British Home Stores and Littlewoods have benefited. Mail order sales also have been good.

Now, however, the rise in retail inflation has begun to outstrip the increase in earnings. Consumers of all

social grades are becoming careful about their disposable income.

Mr. Richard Weir, director of the Retail Consortium, said yesterday many retailers had reported a substantial fall in demand over the past few weeks. "Sales are becoming hard to come by," he said, adding that "many retailers are now trying to keep volume sales up by cutting margins and prices."

Further evidence of this slump was shown by the latest Financial Times survey of consumer confidence published late last month. The question about consumer attitudes to consumer durable purchases had shown demand at a high level early in the year.

But in May, the survey of

just over 1,000 adults showed consumers who felt now was a bad time to buy durable goods were in the majority for the first time in several months. 37 per cent, against 36 per cent who thought it was a good time. This gave an index figure of minus 1 per cent, a 2 per cent fall on the April figure.

Unlike last year, however, when the pre-budget spending spree kept retailers happy, 1980 offers no such silver linings in the clouds over the industry. Mr. Weir believes the slump in sales will continue for several months, at least until interest rates and the rate of retail price inflation starts to fall.

Stockbrokers Phillips and Drew, in a retailing review published this week, also take a gloomy view. "Given the anticipated squeeze on real disposable incomes, we expect the decline in sales volume to continue, with real demand falling by about a percentage point in both 1980 and 1981," the brokers say. They add: "Given the increasing cost pressures on retailers, net margins are likely to fall sharply, restricting the growth in pre-tax profits to around 5 per cent."

In the short-term, however, the balance in the market place seems firmly tipped in favour of the consumers, with retailers fighting hard to persuade them of the merits of particular shops. Such efforts can only lead to more advertising and promotion by retailers, much to the relief of an advertising industry worried by the recession.

But the decline in consumer demand will also have repercussions on manufacturers as retailers seek higher discounts from them. Thus, rationalisation among some consumer product manufacturers—especially in the clothing industry—seems as likely as for retailers themselves.

In the longer term, however, the present trading difficulties in the High Street must further strengthen the large multiple chains, which are best able to weather the decline in demand as well as rising costs.

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3rd year	11.50	11.50	11.50	12.00	12.50
4th year	12.00	12.00	12.00	12.00	12.50
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# Computer companies lack skilled staff

BY GUY DE JONQUIERES

THE SPREAD of computer technology in Britain during the next decade will be severely constrained by shortages of skilled manpower, according to a report published yesterday.

The report, issued by the National Economic Development Office, argues that this problem will prove a far more serious obstacle to development than the much-discussed social consequences of the widespread application of the technology.

It estimates that there are now about 275,000 people in the UK with computer-related skills, at least 25,000 fewer than are needed immediately.

Of these, about 16,000 are programmers and analysts.

Industries using computers will need at least 500 extra programmers a month up to the end of 1985. Some manufac-

turers are turning down orders because they are not confident of meeting manpower shortages.

Computer suppliers and users will increasingly be in competition for the skilled personnel available. Already, inadequate manpower supply has raised the rate of labour turnover in the industry to more than 20 per cent a year.

The report says that the shortage of analysts and programmers could be eased by 1985 through more numerous and better-designed training programmes.

Employers could help relieve the situation through better manpower planning, says the report. Too many of them recruit engineers, computer science graduates and mathematicians for jobs which could be performed as well by other

types of graduates or by people without degrees.

But the report is less sanguine about the prospects for solving a second major problem - the serious shortage of staff with skills in engineering, systems and software which affects suppliers of computer hardware and services.

No adequate solution is likely to be found this century, it says. It estimates that about 6,000 more professional engineers are needed in the UK at present, but says that the forecast growth in labour supply of 2.5 per cent a year is far below future needs.

In the longer run, economic and structural pressures will force technology to be applied to the design and production of software. But this is unlikely to happen before 1985.

The report calls on the Government to step up its support for training in programming and recommends that a greater national effort be focussed on the development of computer skills, perhaps through the Engineering Industry Training Board.

Computer Manpower in the '80s, published by the Electronic Computers Sector Working Party Manpower Sub-Committee of the National Economic Development Office. Available from HMSO, price £10.

# Manufacturers face severe squeeze on food margins

BY GARETH GRIFFITHS

FOOD MANUFACTURERS face a continuing severe squeeze on their margins in the next couple of years with the increasing cost of launching new brands favouring the larger companies.

Mr. David Nolder, of stock-brokers Scrimgeour, Kemp-Gee, suggests in the introduction to a Jordan's survey of the food processing industry, published yesterday, that manufacturers will face continued strong competition in the main growth areas of frozen vegetables, breakfast cereals and snack foods.

In spite of the increased purchasing power of the large retailers, he says there will be a limit to the size of trade discounts. Manufacturers, retailers and the farmers have made an informal survival pact for the 1980s, with the supermarket

chains realising they need a strong and varied manufacturing base to supply new products.

The survey says the industry has recovered well from the mid-1970s recession in food sales. In 1978 food processing industry sales were more than £14bn, involved 5,000 manufacturers and accounted for 18.7 per cent of consumer spending.

The UK accounts for 11 out of the top 50 food processing companies in the world and several companies have shown massive increases in turnover and pre-tax profit.

Further rationalisation is inevitable, the report says, and growth will depend to a large extent on the quality of management in individual companies.

Changes in technology, freezer ownership and the increasing number of meals eaten outside the home, will provide the main influences on the industry.

# Whitbread report goes to DPP

By Gareth Griffiths

THE DIRECTOR of Public Prosecutions is considering a report from South Yorkshire Police concerning brewers Whitbread East Pennines, in Sheffield. A decision is expected early in the autumn.

The police report covers the payment of about £500,000 in commission to individual employees of licensed premises in return for placing orders to Whitbread from their organisations.

## More UK News on page 28

Political, business and sports clubs, and workmen's clubs and institutes are alleged to have been among the organisations concerned.

South Yorkshire police said the investigation took 18 months and the report has been with the DPP for two months. It is understood to be long and the police were given several hundred photocopies of transactions during the investigations.

Whitbread East Pennines, which covers the North East and Yorkshire, was unavailable for comment last night.

## Paper to close

THE UTTOXETER News, published by the Burton Daily Mail, is to close this month after a life of eight years.

# ICI starts £27m solvents plant

BY RHYS DAVID

A £27m plant to take advantage of worldwide demand for safer industrial solvents has been commissioned by ICI's Mond division at its Cantner-Kellner works at Runcorn, Cheshire.

The plant, which has a rated output of 100,000 tonnes a year of Genklene 111 trichloroethane, will double ICI's previous capacity, and can be extended to 120,000 tonnes.

Major customers include motor and aircraft manufacturers, electrical engineering, road and rail transport, textiles, paper and other industries where solvents are needed to remove wax, grease and oil, acquired during the manufacturing process from metal and other material.

The investment, formally unveiled last week by the Prime Minister, Mrs. Thatcher, is designed to capitalise on the shifts away from older solvents such as trichloroethylene and perchloroethylene. ICI will continue to make both of these but believes demand will decline because of increasing pressure for a reduction in the exposure of plant operators to chlorinated solvents.

Cleaning power apart, Genklene's important properties include its non-flammability and low toxicity. ICI says it also has a lower operating temperature, enabling energy consumption to be reduced.

Its drawback is a significantly higher cost—40 per cent more than its older rivals. But ICI says this is offset by reduced spending on energy and by saving of as much as 10 to 20 per cent in the amount of solvent which needs to be used.

The investment is intended to consolidate the group's strong position in the European chlorinated solvents market, where it claims to be the biggest manufacturer.

More than half ICI's output is exported, with Europe the main market. Genklene is also being exported to deep-sea markets including the Middle East, eastern Europe, Africa and the Far East. The company is forecasting a growth rate of 8 per cent a year in the trichloroethane market in the 1980s.

Competition in Europe comes from three other producers—Dow Chemicals, Solvay and Rhone-Poulenc, but none of these is believed to be increasing capacity at present. ICI admits that the rise in the value of sterling has made exports less profitable than when the project was sanctioned four years ago, particularly in dollar-denominated markets. The company claims, however, that the technology it has developed "in house" for making Genklene will enable it to remain at least as efficient as any other producer.

# £938m new funds for life assurance

BY ERIC SHORT

LIFE ASSURANCE operations of the home-service insurance industry last year generated more than £900m-worth of new savings in the UK, claimed Mr. Nevil Carroll, vice-chairman of Britannia Assurance Company and chairman of the Industrial Life Offices Association.

In his progress report for 1979, Mr. Carroll said life assurance funds of the home-service companies in the UK represented the trusted channel for personal savings of most British families.

Last year, this growth in funds amounted to £938.5m, of which £494.5m came from industrial life funds and £504m from ordinary life funds.

Home service insurance companies are those life companies selling both industrial and ordinary life business through

agents calling at policy-holders' homes.

With industrial life business, premiums are paid weekly or every four weeks, direct to the agent, with ordinary-branch life business, premiums are paid annually, quarterly, or monthly either to the agent or by direct debit.

Mr. Carroll said the industry had had a very good year in 1979, with premium income advancing 25 per cent to £1.146bn and investment income 23 per cent to £923m. Total payments made to policyholders was 12 per cent higher, at £761m.

Home-service life companies are paying out more than £2m a day to policyholders or dependents in death claims, or on policies maturing or on surrender.

# Outlook good for makers of fire protection goods

BY JAMES McDONALD

LONG-TERM GROWTH prospects for companies making fire protection equipment may be boosted by tougher legislation and by pressure from insurance companies for better fire protection, according to a survey of 80 companies by ICC Business Ratios, a division of Inter Company Comparisons.

But in the medium term, "the outlook is not so promising, especially as economic activity in this country slows in the face of high interest rates," the report says.

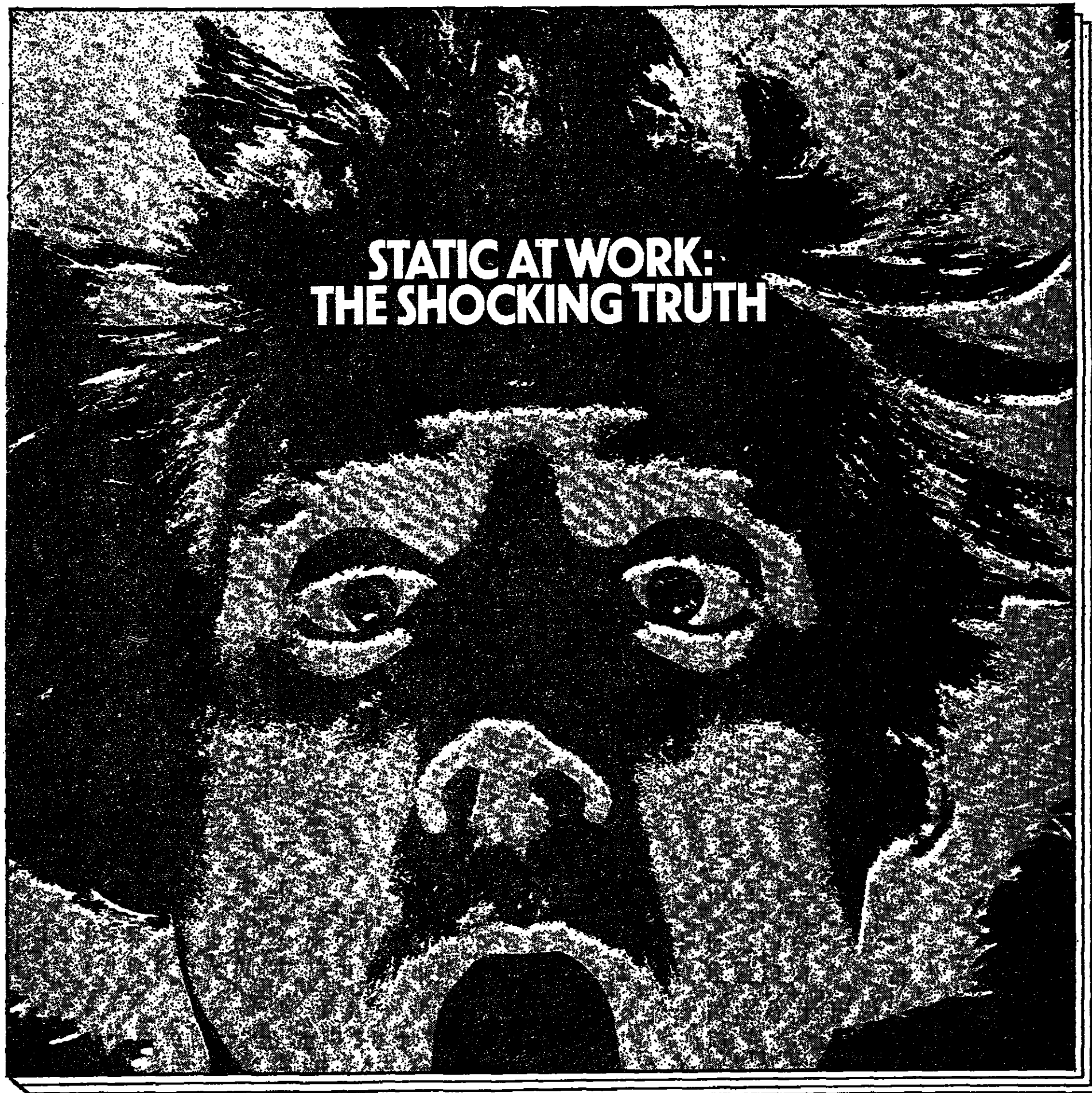
The industry is highly fragmented, with many small, highly profitable companies, often specialising in high-technology products. Although the incentives for the industry are strong, with losses of £400m a year from fire damage in the UK "sales

growth has never been particularly strong, partly through competition between the major concerns in the industry."

The survey, which analyses the companies' accounts over a three-year period, indicates that most companies showed sales growth of 10-20 per cent, with smaller companies generally doing better.

Although profits rose overall in the 84 companies surveyed, the number of loss-makers increased from six in the first year, to seven in the second and ten in the third year. In spite of this the overall return on capital employed rose modestly in the three years from 20.9 per cent to 21.9 per cent.

Fire Protection Equipment Manufacturers, ICC Business Ratios, 81, City Road, London EC1, 865.



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# From the line-manager's mouth...

BY MICHAEL DIXON

"WE MANAGERS should remember our responsibility for helping to perpetuate this annual exercise in futility," snorts reader Philip Virgo. He defines the said exercise as the "trauma" for students and their families (and their tutors too, would add) of the June examination season.

Precisely what has touched Mr. Virgo's emotions, I cannot be sure. But it has certainly touched mine. His comments call to mind Gore Vidal's image of "a viper stirred with a stick on a wet Monday morning." Moreover, they are germane to the crucial issue of the preparation and selection of people for jobs, discussed in last Thursday's column which, by an odd coincidence, was being written at the same time as Philip Virgo was writing his letter.

That column asserted that the United Kingdom's educational establishment has neither the right nor the means to deny employers a say in the design of educational curricula and exams, on the grounds that "it is by no means clear that industrialists know what industry needs from the education system, nor yet that they act out what they say they believe."

The argument behind the assertion rests on the fact that, although preparing people for working life is not the whole object of formal education, it is nonetheless part of the object and an extremely important part. The money used in education is generated by industry and commerce. So unless the education system achieves that part of its objective effectively, it does not earn its living. To this extent, the educational establishment is no different from any other organisation whose existence depends on meeting the needs of its customers. It is unlikely to cease being in that basic position, regardless of the educators' aspirations towards improving both individual people and society in other ways.

Now, while it is true that employers have mostly been too lazy to try both to define and to state clearly what kinds of skills they require in recruits, it is hardly their job to do so. As with any other organisation whose existence depends on meeting the needs of its customers, it is essentially the job of education to find out what those needs are. But education, in particular, has its own values imposed on itself as an added responsibility.

My experience suggests that people who work as educators regard themselves as well educated. A generally accepted duty of those who work as educators is to strive to improve the understanding of other people. But it is a duty which cannot be discharged by educators unless they first fulfil the equally accepted duty of the well educated to strive to achieve an increasingly improved understanding themselves.

So the educational establishment is up a two-pronged creek without a paddle if it takes the position that, since employers neither know what they want from education nor act in accordance with what they say they want, employers are too pig ignorant to be worthy of the educators' serious attention.

## Different

Whatever employers don't know, it is abundantly plain that they do know that they want something different from what education is sending them at present. It is also plain that the educators are ignorant of what that something different may be. In that case, the logic of both their economic position and of their philosophy surely requires them to strive to find out. Until they do so, it is the behaviour of the educational establishment which is the more fundamentally ignorant.

Thus runs the detailed argument which led Thursday's column to appeal to the Prime Minister to make it unmistakably clear to the educators that

they have no justification for standing aloof from and supposedly superior to the country's employers. I am sorry to have spelt out the argument at such length, but it seemed to me essential to do so if justice were to be done to the comments of Philip Virgo who would have the educational establishment taught the lesson even more sharply than Mrs. Thatcher would teach it.

He starts from the premise that, beyond the stage of 16-plus exams such as the Ordinary levels of the General Certificate of Education, the academic examination system "exists primarily for the benefit of those whose sole talent is the ability to pass exams." He continues as follows:

"The best of these people go into education to train new generations to pass exams. The rest are recruited on behalf of us managers. When we find they have no other talent to pass these back to personnel who employ them in writing job descriptions, a task for which their lack of imagination and their docility appear, disastrously, to suit them uniquely."

"Here they write a requirement for GCE Advanced levels, degrees and professional qualifications into the most menial of tasks, thus blocking off our sources of non-graduate recruitment and ensuring that any creative talent the potential candidate may have had, has been destroyed by the academic sausage machine."

"So what can we, as managers, do about it?"

"When vetting any job description, just delete fancy qualifications unnecessary to the job. For example, given a description stating 'must have at least two A levels,' substitute 'must have basic literacy and numeracy. Ordinary levels in English and also mathematics, or equivalent certification, will exempt from a written test.'"

"We all know that the head boy of a minor public school who has been sent down from university for publishing his

examination papers, is likely to be a better manager than someone with an upper second-class honours degree in sociology. So let us dictate our requirements to the personnel staff who do the 'milk-round' recruiting at universities and polytechnics, and make sure that they communicate our requirements to the students."

"Do not bother with the academic establishment. They will not hear. For them even to acknowledge the question means decimation of their ranks."

"However, without the docile unquestioning faith of the students, at present reinforced by our recruitment standards, the system will collapse. We can then replace it with a less irrational selection procedure which will identify those capable of co-operation, creativity, leadership and teamwork (the cheats, the rebels, the organisers, and the games players)."

Now, lest Mr. Virgo's somewhat uncompromising appeal to his fellow line-managers be taken by the educational establishment as a further example of employers' ignorance, I had better give a warning. If that is so, then there is evidently something dodgy about the educators' methods of judgement. For Philip Virgo has both an MA and an MSc degree, not to mention a brace of professional qualifications.

## Difference

It would be wrong, too, for anyone to assume that his views as stated accord completely with those of this column. I could not agree that academic exams are solely for the benefit of those with the aptitude to pass them. Rather, the academic system of education including its examinations exists primarily for the purpose of identifying and training future academics—and it would be futile to deny that a fair number of academics have proved to be of outstanding benefit to humanity at large.

## LABOUR

# NHS clerical staff may take disruptive action

BY NICK GARNETT, LABOUR STAFF

UNION DELEGATES representing most NHS administrative and clerical staff yesterday mandated negotiators to order any form of industrial action necessary in a dispute over pay.

The decision, taken at NALGO's annual health group meeting, could disrupt the process of admitting and discharging patients, processing prescriptions, ordering materials and record keeping.

Negotiators were told to draw up plans for industrial action among its 30,000 nurses and midwives in co-operation with other unions in a similar pay dispute.

Nurses leaders are considering whether to organise a national ballot on whether to continue to fight the Government's insistence on a pay settlement within the 14 per cent cash limit.

Mr. Patrick Jenkin, Social Services Secretary, has insisted that the nurses are unlikely to be offered any improvement on the present 14 per cent offer when unions and management meet today.

The Royal College of Midwives yesterday followed the Royal College of Nursing in advising its members not to take industrial action over the present pay row.

The RCM said the Government decision was likely to increase the already acute shortage of NHS midwives.

The Confederation of Health Service Employees, representing 130,000 nurses, will decide at its annual conference in Blackpool next week whether to act over pay.

The NALGO meeting at Eastbourne also instructed officials to initiate industrial action with

other unions if necessary on behalf of paralysed staff pay.

NALGO has more than 80,000 NHS administrators and clerical staff whose pay has previously been linked directly with the appropriate Civil Service grades.

This year, however, the union has been offered 14 per cent against the Civil Service settlement of 1.8 to 1.9 per cent.

"The money is ours and we demand it," said Mrs. Elaine Harrison, union senior assistant organising officer. She warned that the battle would not be won easily.

The NALGO motion on nurses' pay deplored the Government's refusal to exceed the 14 per cent cash limit. It also complained of inadequate staffing cover by qualified staff in most hospitals.

## Caretakers face expulsion

By Our Labour Staff

FOUR LONDON school caretakers have come under threat of expulsion from their union for refusing to join the TUC's Day of Action on May 14.

If the executive of the National Union of Public Employees respond to a local Haringey branch request for expulsion, the caretakers could lose their jobs.

Mr. Gordon Foyner, NUPE area officer, said yesterday that a union agreement with Haringey Council might prevent them from continuing to work at the Wood Green Comprehensive in North London.

He said the branch had called for their union cards to be withdrawn because they had failed to comply with a majority branch decision to support the Day of Action.

One of the caretakers, Mr. Joe Marler, was a former branch chairman and had himself called for majority decisions to be obeyed in the past.

The caretakers, who argue that it should be an individual choice whether to join a political strike, have since joined the Transport and General Workers' Union.

Their former branch colleagues want the caretakers' membership revoked.

## Clearing Bank Union offers better relations

BY PHILIP BASSETT, LABOUR STAFF

THE NEW joint staff union representing clearing bank staff at Barclays, Lloyds and National Westminster yesterday held out the prospect of improving the strained working relations between the staff associations and the Banking, Insurance and Finance Union.

Negotiations on the formation of one staff union for the clearing banks collapsed at the end of last year. The staff associations from the three banks—Midland's staff association was taken over by the Association of Scientific, Technical and Managerial Staffs six years ago—decided then to form the new joint union.

Members of the three staff associations last week voted overwhelmingly for the new union, to be called the Clearing Bank Union. The union will have about 80,000 members and should be inaugurated in two months' time.

Mr. Jack Britz had been appointed general secretary of the new union. His £18,000 salary is in the upper bracket of union leaders' pay.

Mr. Britz said that divided staff

representation in the banks had made things difficult for the unions, and to some extent for the employers although they had been able to play one union group off against the other.

The CBU and BIFU would have to co-operate and work together, "because in the end it seems sensible that there is one organisation in the banking industry for all employees."

BIFU is a TUC-affiliated union, but Mr. Britz made it clear that the CBU would not apply immediately to affiliate, since it needed time to establish itself. Such an application would probably be rejected.

The CBU will negotiate at national level while the present three staff associations handle in-house negotiations. The structure gives enough freedom for recruitment among non-unionised bank staff and for the CBU to improve its position in the clearers' against BIFU.

Mr. Britz, who described himself politically as a "moderate social democrat" is at present in the upper bracket of union leaders' pay.

Mr. Britz said that divided staff

## New arbitration service proposal not favoured

BY PHILIP BASSETT

A GOVERNMENT arbitration service aimed at resolving disputes without costly and damaging industrial action was proposed yesterday by the Central Arbitration Committee.

The proposal was found little favour among the council of the main arbitration agency, the Advisory, Conciliation and Arbitration Service, which has decided not to endorse that part of the CAC's annual report in which the suggestion is made.

The CAC's report suggests a review of the role of arbitration in industrial relations procedures. It says the value of arbitration is not well enough understood and not fully utilised.

Unions and employers tend to be suspicious of arbitration: Union because agreement to it often seems to be an acceptance of a settlement lower than a claim, and management because they often see it as awarding higher increases than they can afford or justify.

ACAS prefers non-binding conciliation in disputes.

The CAC, a Government

agency, maintains that arbitration has rather more to offer than just an award which bisects claim and offer. Its problem-solving approach "removes many of the risks inherent in the reference of a major issue to arbitration."

The committee also rejects the suggestion that its awards made under Schedule 11 of the Employment Protection Act, which is to be repealed by the Employment Bill, and the Fair Wages Resolution, have been inflationary.

Many Conservative MPs have suggested both options were a way round pay policy restrictions, but the report notes that while the number of cases dropped off after the formal ending of pay policy last year many cases studied that would have qualified as "equitable exceptions to pay policy" in fact failed to do so.

The report states that 62 per cent of Schedule 11 awards and just under half of the fair wages awards gave increases of 10 per cent or less.

## Observer and NGA seek print schedule agreement

BY JOHN LLOYD, LABOUR CORRESPONDENT

TALKS between the management of the Observer newspaper and the National Graphical Association, aimed at restoring the paper to profitability and streamlining its printing schedules, will continue this week.

Mr. Brian Nicholson, joint managing director of the Observer, said yesterday that the main aim of the talks on new technology, which the paper hopes to phase in over the coming year, was to conclude an agreement allowing the Observer to print four separate sections in one run on Saturday night.

Mr. Nicholson said that the newspaper was making a "small weekly loss," but that it could be returned to profitability.

"We must employ a reasonable number of people at a reasonable wage."

Mr. George Jerrom, the NGA officer, said that the talks were "making progress." The meeting this week would be "exploratory and discursive, rather than a negotiation."

Mr. Jerrom said that the U.S. company Atlantic Richfield, which owns the Observer, had set a deadline of June 15 for the talks to show progress, and July 1 for a working agreement to be reached.

## 35% miners' claim likely

BY PAULINE CLARK, LABOUR STAFF

THE GOVERNMENT is likely to face a pay demand of around 35 per cent from Britain's 260,000 miners early in the next wages round.

Motions seeking a £100-a-week minimum wage dominate the agenda published yesterday for the annual conference of the National Union of Mineworkers in Eastbourne next month.

The traditionally most militant sections of the union, including the Yorkshire, Scottish and South Wales areas, are united over the figure, which would increase the minimum basic pay for a colliery surface worker by about £26.

Scottish and south Wales miners will also ask for support in a call for consultation with members of a 'ministry of action' in the National Coal Board.

Opposition to the Government's economic policy will come from both the Scottish and south Wales miners, who have submitted two major motions on "deindustrialisation" and unemployment.


The conference will debate an outline for an alternative economic strategy incorporating calls for an immediate 35-hour week and restriction on export of capital with more public

ownership and industrial democracy.

The Welsh motion calls on the Labour Party and the TUC "to reassert their belief in full employment" and warns that a return to the days of "poverty stricken misery" will not be tolerated.

Derbyshire miners' leaders will meanwhile press for "outright rejection" of the Government's Employment Bill, and will call on the TUC to refuse to recognise its provisions.

NUM leaders yesterday met Sir Derek Eddle, NCB chairman, to press for full consultation on pit closures in south Wales.



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NOTICE IS HEREBY GIVEN that Dividends have been declared payable to members registered in the books of the undermentioned companies at the close of business on 27th June, 1980 and to persons presenting the appropriate coupons detached from share warrants to bearer. The dividends on share warrants to bearer will be paid in terms of a further notice to be published by the United Kingdom Secretaries on 4th July, 1980.

NAME OF COMPANY (Each incorporated in the Republic of South Africa)	Dividend Number	Coupon Number	South African Currency cents per share
Blyvooruitzicht Gold Mining Company, Limited	(Final) 89	—	185
Durban Roodepoort Deep, Limited	(Interim) 113	113	180
East Rand Proprietary Mines, Limited	(Interim) 117	118	175

In the respective Chairman's Statements included in the annual financial statements for 1979, reference was made to the large capital expenditure programmes to be undertaken by both Durban Roodepoort Deep Limited and East Rand Proprietary Mines Limited to facilitate long-term continuity of profitable mining operations. Increased retentions will be required to assist in financing capital expenditure programmes and to enable them to proceed unhindered by temporary adverse fluctuations in the price of gold. Accordingly, in declaring the interim dividends, the directors have taken this into account and retentions have been increased. It will probably be necessary to retain further amounts at the end of the financial year.

The register of members of each company will be closed from 28th June to 8th July, 1980, inclusive, and dividend warrants will be posted on or about 31st July, 1980.

The dividends are declared in South African currency and the rate of exchange at which they will be converted into United Kingdom currency for payment by the United Kingdom Registrars and Transfer Agents will be the telegraphic transfer rate of exchange between Johannesburg and London ruling on the first business day after 23rd June, 1980 on which foreign currency dealings are transacted.

Where applicable, South African non-resident shareholders' tax of 15% will be deducted from the dividends.

The full conditions of payment of these dividends may be inspected at or obtained from the offices of the companies in Johannesburg or in the United Kingdom.


By Order of the Boards  
V. M. Minton  
Administrative Manager and Secretary

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9th June, 1980



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United Kingdom Banks and Members of The Stock Exchange should mark payment of the dividend in the appropriate square on the back of the certificate.

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## UK NEWS - PARLIAMENT and POLITICS

## 'No danger' of nuclear war by accident

By John Hunt, Parliamentary Correspondent

THERE IS not the slightest danger of a nuclear war being triggered off by a mistake in the U.S. and British early warning system, Mr. Francis Pym, the Defence Secretary, told the Commons yesterday.

He was commenting on the military alert in the U.S. last Friday when, for the second time in four days, a computer malfunction in the system wrongly indicated that Soviet missiles had been launched.

Mr. Pym was answering a private notice question from Mr. Tam Dalyell (Lab., West Lothian) who wanted to know what representation the Government had made to the U.S. about the incident.

Strong concern was expressed by other Labour MPs, particularly Left-wingers who are opposed to the stationing of Cruise missiles in Britain.

The Defence Secretary said in both cases last week the error was detected very rapidly by exhaustive checking pro-

## Left and Centre 'frozen'—Jenkins

BY PHILIP RAWSTORNE

A NEW liberal social democratic alliance in British politics would command the support of great and untapped reserves of political energy and commitment, Mr. Roy Jenkins, president of the EEC Commission and former Labour deputy leader said yesterday.

Repeating his call for a realignment of the Left and Centre, Mr. Jenkins said that they were "frozen in an out-of-date mould, which was bad for the political and economic health of the country."

But, in a speech to the Parliamentary Press Gallery, the former Chancellor of the Exchequer stopped short of announcing his readiness to launch a new Centre party.

"I expect nothing from British politics," he declared. "I am not searching restlessly and demanding for a role or a job."

Mr. Jenkins confirmed that he would not resign his EEC post before his term of office expired in January next year. But he left no doubts about his ambitions to make a political comeback as leader of a new political group.

Mr. Jenkins said he had been encouraged by the response to

the views he had expressed in the Dimbleby Lecture last autumn.

It had shown untapped and unlabelled electoral support and desire "for release from present political restraints and for involvement in the future."

Mr. Jenkins took up that theme yesterday with another scathing attack on the "loveless, constantly bickering and debilitating marriage" of the Labour Party.

Incompatible people were now locked in intransigent warfare over incompatible philosophies, he said.

Nine days ago in a further major lurch to the left, the party had adopted policies that would mean:

● A near neutralist and unilateralist position on defence that would make continued membership of NATO meaningless.

● Practical non-co-operation with the EEC leading in all likelihood to a firm proposal for complete withdrawal. "What friends or influence would we maintain? What loneliness do we seek?" he asked.

● A massive extension of the public sector despite mounting evidence that full-scale state

ownership was more successful in producing tyranny than in producing goods.

● A far tighter straight-jacket on the enterprise of the private sector.

"This is not, by any stretch of the imagination, a social democratic programme," Mr. Jenkins declared.

"Nor do I believe that it is the way to protect Britain's security, help the peace of the world, revitalize our economy, or represent the views of the great majority of moderate left voters."

Labour's Wembley conference had exceeded further great feats of ground to the left without securing even an armistice, let alone a lasting peace inside the party, he said.

"I therefore believe that the politics of the Left and Centre of this country are frozen in an out-of-date mould which is bad for the political and economic health of Britain and increasingly inhibiting for those who live within the mould."

Mr. Jenkins said it was easy to dismiss the prospect of breaking such a mould.

Mr. James Callaghan had said that any new party would

lack the organised bases of the Labour and Tory Parties.

"It is a very conservative and very static view of politics," Mr. Jenkins commented. It discounted the manifold signs of growing alienation from the system and growing disarray over its economic results.

He did not doubt the strength of political inertia; the difficulty of doing anything new.

"The likelihood before the start of most adventures is that of failure," he said. "The experimental plane may well finish up a few fields from the end of the runway. If that is so, the voluntary occupants will have only inflicted the bruises or worse upon themselves."

"But the reverse could occur and the experimental plane soar in the sky. If that is so, it could go further and more quickly than few now imagine, for it would carry with it great and untapped reserves of political energy and commitment."

Mr. Jenkins said that a political break-through could be achieved without change first to a proportional representation voting system. "It is not a prior condition of a political re-

alignment."



Roy Jenkins: out-of-date mould

Mr. Jenkins referred to a book written about The Strange Death of Liberal England.

"Do not discount the possibility that in a few years' time someone may be able to write at least equally convincingly of the strange and rapid revival of liberal social democratic Britain," he said.

## Ireland may suggest Hume as candidate for EEC Presidency

BY STEWART DALRYMPLE IN DUBLIN

IRELAND may put forward Haughey defeated for the Irish leadership last December, has publicly said he would not accept the job. Mr. Jack Lynch, the former Irish Prime Minister, has retired from politics and is known to be uninterested.

It is thought that Mr. Haughey cannot spare Mr. Michael O'Keefe, the Finance Minister, from his front bench. Mr. Garrett Fitzgerald, the former Foreign Minister, and currently the leader of Fine Gael, the main opposition party, thinks he can win the next Irish general election, due no later than 1982, and thus has also disclaimed interest in the European job.

This could leave the way open for Mr. Haughey to approach Mr. Hume, to whom he is personally very close. Mr. Hume is technically a Briton. Like most people in Northern Ireland, however, he is entitled to an Irish passport and does hold one.

Although Mr. Hume's nationality would cause no problem, his appointment would cut across the British Government initiative for limited devolution in Northern Ireland.

This initiative reaches a critical stage today when Mrs. Thatcher considers the recommendations for a Government White Paper on devolution put to her by a special Cabinet committee. This is headed by Mr. William Whitelaw, the Home Secretary, and former Northern Ireland Secretary.

It is thought that Mr. Whitelaw has been active in amending the plan favoured by Mr. Humphrey Atkins, the Northern Ireland Secretary of State. He wants a form of majority rule with a non power-sharing executive, but with the interests of the 500,000 Roman Catholic minority protected by weighted

majorities in assembly.

## Independent review body for chemists' pay

BY IVOR OWEN

DISPUTES OVER the gross remuneration of Britain's 9,500 retail pharmacists will in future be referred to an independent panel. Dr. Gerard Vaughan, the Health Minister, announced in the Commons last night.

The emergence of the new review body marks the successful culmination of a prolonged campaign by the chemists, during which they encountered determined resistance from both Labour and Conservative Ministers.

Dr. Vaughan, speaking during the report stage of the Health Services Bill, admitted that the dispute had gone on far too long and hoped that it would now be possible for all concerned to go forward in a spirit of constructive co-operation.

He told MPs that the terms of reference of the new body were agreed yesterday morning and are subject to ratification by the full Pharmaceutical Services Negotiating Committee when it meets tomorrow.

The Minister stressed: "We have agreed that the panel will be able to advise on any aspects of retail pharmacists' gross remuneration and that it should be available to help resolve any disputes at the invitation of either party."

The review body would be free to consider any matters concerning remuneration within the existing contract, but would not go into matters concerning medical products.

Its chairman and four members would embrace experience of the law, industrial relations, commerce and professional activities.

"It wipes the slate clean and it is with some pride that after five years of dispute and uncertainty that we have reached this agreement."

Welcoming the appointment of the review body from the Opposition front bench, Mr. Roland Moyle said his own

Ministerial experience at the Department of Health and Social Security had convinced him that ad hoc arbitration was not the best method of solving disputes over the remuneration of chemists.

He underlined the political pressure which had been exerted on the Government by pointing out that nearly 150 MPs of all parties had signed a Parliamentary motion calling for the appointment of an independent review body.

Mr. Hume is an ardent pro-European and, as a European Parliament MP for the past year, has been dynamic and successful. He was one of the prime movers behind the new EEC grant for small farmers in Northern Ireland. Mr. Hume declined to say whether he has been approached about the job or whether he would accept it offered.

The speculation partly arises because other possible Irish candidates are unavailable.

Mr. George Colley, the deputy prime minister, and the man Mr. majorities in assembly.

## Renewed Tory calls to cut MLR

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

RENEWED CALLS from Conservative MPs were made in the Commons yesterday for a reduction in the present record level of 17 per cent.

Mr. Kenneth Lewis (C, Rutland and Stamford) warned of the damage being inflicted on small firms. He asked Mr. David Mitchell, the Industry Under-Secretary, with responsibility for small firms, to impress on the Cabinet the need for a phased reduction of interest rates.

He urged that there should be a cut of two points now, instead of waiting for a bigger reduction later.

Mr. Mitchell said he was certain the Chancellor was aware of this and would be taking it into account in calculating how soon such a move could be made.

Mr. Kenneth Baker (C, St. Marylebone) said the private sector was being inhibited by two factors — unrealistic wage settlements and very high interest rates.

On wages, the Government could exert, but on interest rates it could act. Therefore, he wanted to know when there would be a steady and continuing reduction in rates.

Mr. Adam Butler, Minister of State for Industry, said that as the Prime Minister and Chancellor had made clear, in order to get interest rates down, the public sector borrowing requirement must be reduced. When money supply was clearly seen to be under control, then interest rates would fall.

In later exchanges, Mr. John Stokes (C, Halesowen and Stourbridge) said that some of his "rougher friends" in the West Midlands were asking why the Government could not set an example by cutting bureaucracy more quickly and by moderating wage awards instead of leaving British industry to do the Government's dirty work.

Mr. Mitchell, assured him that the Government was doing its best to cut the civil service and bureaucracy.

## Duty savings of £5.2m

BY GARETH GRIFFITHS

WORK SAMPLES of Scotch whisky at distilleries have been cut back by 80 per cent in the last year due to tighter Customs and Excise regulations, the chairman of Customs and Excise Board, Sir Douglas Lovelock, said yesterday.

Sir Douglas told the House of Commons Public Accounts Committee that the changeover had led to a saving in duty worth £5.2m and involved 190,000 proof gallons.

Previously, distillers had been allowed one-tenth of a gallon per case for samples, and this had now been changed to a

smaller amount for sampling for quality control and analysis.

He said the excess Scotch had previously been used for publicity purposes and perks to distillery workers. Some whisky had found its way back into the main home market.

The Customs and Excise Board have asked the Government to extend a private scheme for exchanging information on VAT returns between the Inland Revenue and itself. The scheme has been in operation in Leeds since December, 1978, and both Government Departments would like to see it operated nationally.

"Almost 85 per cent of the firms included in the Legal Aid Solicitors List 1980 have said that they are prepared to give the fixed-fee interview. This means that the solicitor will not charge more than £5 inclusive of VAT for an initial interview of up to half-an-hour."

## Instant legal advice for £5

MORE THAN eight out of ten solicitors are now willing to grant a fixed fee interview for only £5.

The Law Society Gazette says: "The purpose of the fixed fee interview is for the client to be advised whether his case is worth pursuing, whether legal aid is available or what the case

would cost.

"Almost 85 per cent of the firms included in the Legal Aid Solicitors List 1980 have said that they are prepared to give the fixed-fee interview. This means that the solicitor will not charge more than £5 inclusive of VAT for an initial interview of up to half-an-hour."

In particular, they felt she would put her weight behind trying to ensure that the EEC did not allow existing agreements to be breached.

Though Mrs. Thatcher insists her door is open to any industry which wants to see her, delegations are usually diverted to the relevant Ministry, and it is relatively rare for her to see one herself.

Yesterday, she spent 75 minutes with the textile lobby, which was made up of representatives of the employers, unions and MPs.



Francis Pym: grotesque picture

cedures. The U.S. authorities were investigating, and the British Government was in close consultation with them.

Mr. Frank Allam, (Lab., Salford East) suggested that the incidents meant that British cities could be wiped out if Cruise missiles were launched from UK territory by the U.S. command in error.

On the first occasion, he said, American bombers were launched up to the fall-safe line. An American mistake could lead to a Russian mistake, and "all of us going up in flames."

Mr. Pym replied: "No, sir, that is a grotesque picture. The alert system did nothing more than put the appropriate forces in a suitable condition, to respond if necessary. It implied no authority to do any-

thing other than to talk off from the ground. If there were similar mistakes on the Russian side, and he had no doubt there were, then none of us would know about it.

Mr. William Rodgers, Labour Defence spokesman, said these events had caused very strong concern among many people who were supporters of NATO, and who accepted the inevitable need for nuclear weapons.

Mr. Pym told him that the computers in the early warning system were inter-linked on both sides of the Atlantic. There was no one instrument responsible for the whole alert system.

Mr. Allam later tried to get an emergency debate on the subject, but his request was rejected by the Speaker, Mr. George Thomas.

At a meeting with representatives of the textile industry, she promised that the Government was determined to do all it could to legitimately help the trouble-torn industry within the framework of existing international agreements.

The experience of the existing MFA would, she promised, be borne in mind when negotiating a new agreement.

In the meantime, she said, Ministers would do everything possible to ensure that the EEC did not drag its feet when it came to dealing with sudden

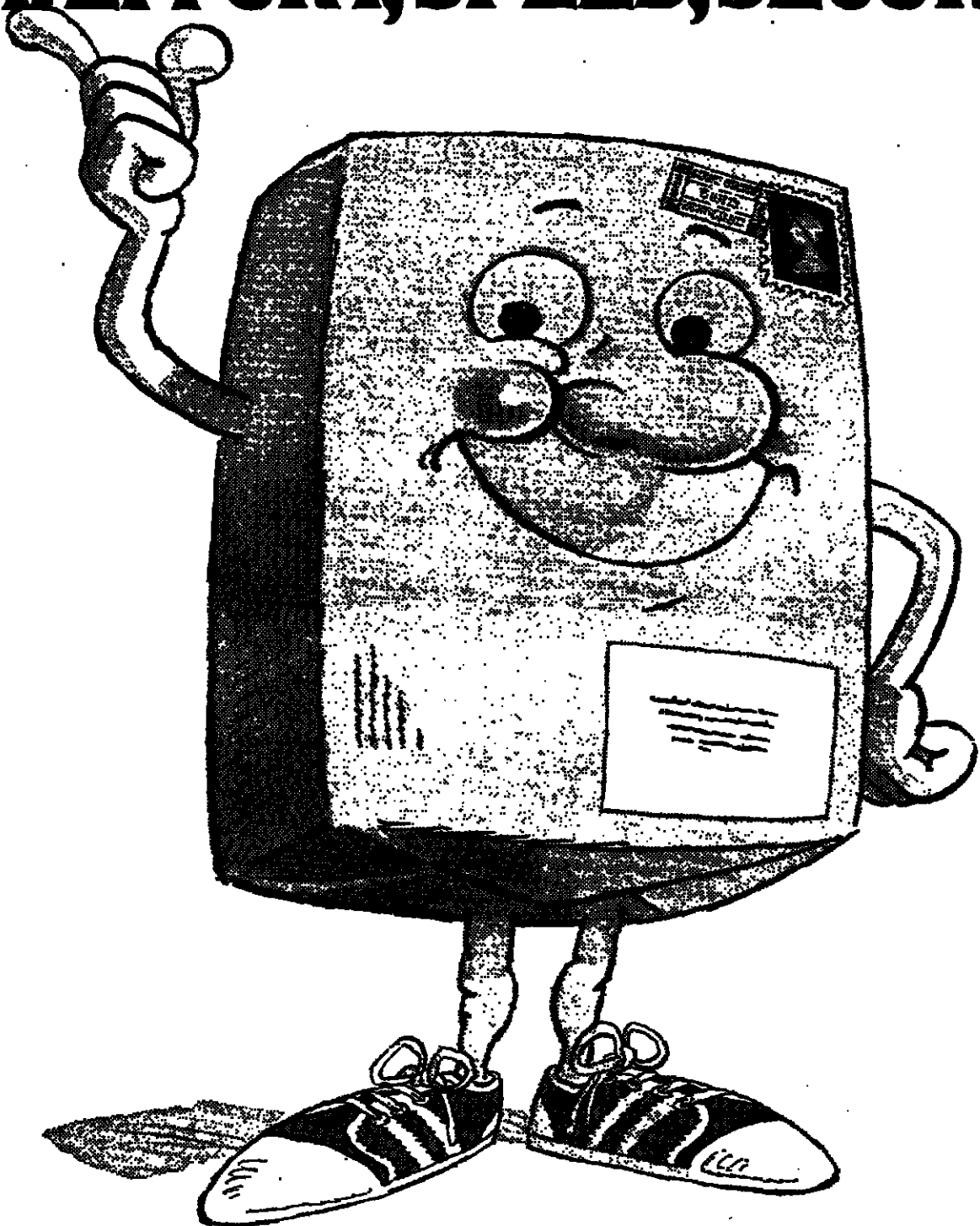
surges of cheap imports from countries not covered by existing agreements.

The Government has already indicated its determination to re-negotiate a successor to the MFA, but representatives of the textile industry interpreted her commitment yesterday as the strongest yet.

But Mrs. Thatcher did not hold out any new promises of specific action in the short-term to deal with the imports which the industry claim are doing it crippling damage. Like her Trade Secretary, Mr. John Nott, she said that the Government could not concede the demands for tariffs to be imposed on certain kinds of imported textiles.

Nevertheless, some members

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## THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

# A domestic arrangement that averted a Greek tragedy

N. J. Michaelson describes the strategy behind a merger that was designed to save two ailing white goods makers from collapse

JOHN PIPEROGLU threw up a career with a blue chip multinational because of frustration. Not at any lack of pay or promotion—he was remarkably successful—but because of what he calls the tendency of multinationals to see “avoidance of risk, rather than maximisation of profit, as their key criterion. With size, they become slow, ponderous dinosaurs.”

Piperoglou was also frustrated with the weight of management education he was expected to shoulder at Esso (Exxon). “Finance, accounting, personnel, marketing—you name the subject, they had a course for it. I had to fight hard to get out of some of the courses they wanted me to attend.”

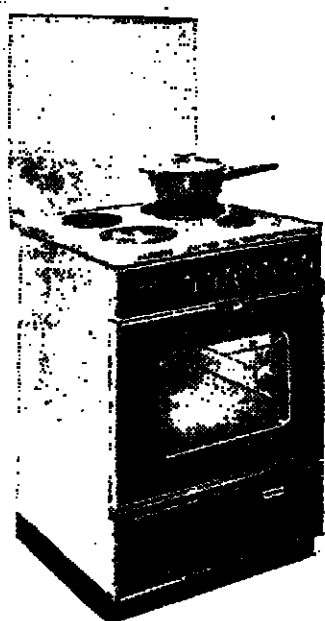
These criticisms notwithstanding, the 48-year-old Piperoglou admits that his experience with Esso—in planning, sales, operations and general management, all in quick succession—was seminal in turning him into the highly professional manager he is today.

Piperoglou is currently masterminding what is an inherently risky operation: the transformation of a unique Greek company from a struggling, purely domestic concern into a profitable, export-minded enterprise capable of seizing the opportunities offered by Greece's entry into the European Community next year, and of fending off very considerable competitive threats.

## Formation by merger

The uniqueness of the company, Elinda, lies not in its hitherto weak financial performance, nor in its traditionally limited market, nor indeed in the professionalisation of its management—this trend has been gathering pace in Greek industry during the past few years, and Piperoglou is one of many new “professionals.”

Elinda's unusual status lies in its ownership. Until its formation by merger in 1977, Greek



Elinda, formed from Isola and Eskimo, makes white goods for the somewhat limited Greek market. But its export potential should be enhanced by the dismantling of tariffs that will follow Greece's entry into the EEC, though it faces formidable competition.



industrial companies had generally been controlled by one of four interest groups: families (the predominant pattern); banks; multinationals; and the Government. Elinda has set what could become a new pattern: the coming together of two hard-pressed family enterprises with additional equity financing from a major bank, with each partner holding a one-third stake.

The two family groups were Isola and Eskimo, respectively. Nos. one and three in the Greek domestic appliance industry—refrigerators, washing machines, heaters, and the rest. Their marriage, and the injection of extra capital from the National Bank of Greece, was prompted by both long-term and immediate influences.

The long-term threat, obvious for some time, was that they were each too small to compete successfully against European and other international manufacturers. The immediate impetus was their poor financial position and the take-over in 1976 of the No. two company, Pilsa, by one of those very multinationals: Siemens of West Germany.

The new owners agreed to

remove themselves from actual management of the company and to call in professional managers from outside; Piperoglou was appointed managing director six months after the merger, and began to build a new team.

Such has been the trend towards professionalisation in Greek industry that less than a third of the board members of its Federation are now owner-managers, compared with 100 per cent just 20 years ago. Piperoglou himself sits on the federation's management committee.

## Vulnerable segment

The Elinda merger was only the first stage in the strategy for its recovery—even its survival. For, even in its new corporate form, the company typifies the segment of Greek industry which is most vulnerable to the dismantling of

tariffs that will follow EEC entry, even if non-tariff barriers continue to provide some protection.

Whereas much of Greece's industry should profit from entry—textiles and wine are only the most obvious examples—about a fifth of the country's manufacturing is rendered vulnerable by a combination of poor economies of scale and high transport costs.

Domestic appliances fall firmly into this category. At between 130,000 and 180,000 units a year, depending on the appliance, the Greek market is not big enough to sustain an efficient plant at current levels of technology. So substantial export markets must be found.

But this means competing with the multinationals, and especially the Italians, whose efficient mass-manufacture gives them much keener prices, as does their much shorter distance from the Common Market consumer.

To the Greeks, this represents almost a vicious circle. Since their market is too small, they have to export to survive. But in order to export they need to be as efficient as their competitors—in the case of appliances, this primarily means the Italians. But this is only possible if they can secure the same economies of scale, which requires a much larger market.

John Piperoglou thinks the problem can be resolved “by a stepwise approach where you optimise production efficiency at any given level of output, use the resulting cost benefit to expand your exports, and so on. Elinda now exports 15 per cent of its output, and we hope to reach 50 per cent in five years. We are the only appliance company in Greece with serious exports.”

Piperoglou recalls that when he joined Elinda he was told that the main problem was excessive overheads. He quickly discovered, however, that Elinda's overheads “were probably the lowest in the world, but that it took us twice as many hours on the shopfloor to produce a refrigerator as it took the Italians... people stared in disbelief.”

JOHN PIPEROGLU'S education, training and range of experience is fairly typical of the new breed of professional Greek managers. His first degree from the University of Athens, was in economics. On a U.S. Government scholarship he studied at the University of Wyoming from 1950-53, gaining a BA, again in economics.

He then returned to Greece and after finishing military service began work as assistant to the president of Doxiades Associates, headed by a well-known architect and town planner, the late Constantine Doxiades.

In 1959 he obtained a British Council scholarship to go to the London School of Economics, where he took a master's degree in economics. He returned to Doxiades Associates in 1961 to establish an economic research unit and for the next five years toured the world working on projects sponsored by organisations like the World Bank and the United Nations. “That is where I learned about people and diplomacy,” he muses. “I learnt about civil servants, professionals, businessmen, labourers, Europeans, Asians, Africans, North and South Americans.”

His English he had learned at school, his French from a French grandmother; Spanish he picked up while working for a year in Spain in the 1960s, and he has a working knowledge of Italian. Exhilarating though his

“Our approach is to determine the main problem in any situation and concentrate on resolving it. If you want to turn an outfit around you need the co-operation of everyone, from the shop floor up.”

“To get it, you must have a simple, communicable platform which everybody can espouse. You cannot tell people we have 12 problems and we have to solve them. Our slogan now is “we must get the ratio of people to appliances produced per day to less than one.”

“Of course we have other problems, and of course we work on them too, but the focus is on per capita productivity.” Reinforcing this approach is the principle that if anyone reports a problem, he must also suggest how it could be resolved.

Elinda has created a fairly simple organisation, derived along four fundamental lines—finance, production, marketing and technical services—each headed by a manager. These four and Piperoglou constitute the management committee.

In addition, Piperoglou personally supervises the per-

sonnel, public affairs and law departments.

It took about a year to build up this organisation. All the first and second echelon people have come from within. “I have not brought in any people from outside, except at management trainee level where we try to hire two to three people a year. But about a third of the original top echelon “left” in the process of building up the organisation.”

The committee meets every Friday, starting in the late morning and remaining together with coffee and sandwiches until it has exhausted every subject. There is no agenda. The first part brings in the personnel manager and discusses people. The second part is devoted to “things”: plant, production, marketing, and so forth. “We consider people our number one concern, their quality, remuneration, well-being, education,” says Piperoglou. “Plant personnel officers are expected to circulate every day among employees from the shopfloor up. At the end of the day they report their impressions by telephone to the personnel

manager. If something urgent comes up, he immediately contacts the committee by phone and we take action. Otherwise we discuss subjects on Friday. This way we are constantly abreast of the employees' needs and problems.”

What have been Elinda's achievements in the three years since its foundation? “Let's first state what they have not been,” answers Piperoglou. “We are not producing a profit yet. Elinda was a salvage operation of joining together two companies which were in a condition of collapse. So our first achievement was to create a single, effective organisation out of them. We have also increased our produc-



the finished product.

Some of the graduates who return from abroad are from second or third generation founding families and go back to manage the family business. Most of them, however, are sons of professional or civil servant families. Once returned to Greece they are mostly hired by multinationals, given initial staff assignments and developed

rapidly to senior executive positions in their 30s and early 40s.

Thereafter they either stay on to become chief executives of a subsidiary, or leave to become presidents of Greek companies that are no longer controlled by families. Some Greek companies are also beginning to act as breeding grounds for young management graduates.

activity by 25 per cent and turnover by 50 per cent (to 35m drachmas: £30m) and we accomplished this with labour peace and rising employee morale.”


Insomuch, “we identified our main problems and formulated a plan to become profitable by 1982—which is on schedule. I think that about sums it up.”

This was in spite of an initial outburst of 500 in the labour force, to 1,350. With the more recent expansion, employment is now virtually back to the level of three years ago.

Elinda has also begun pursuing a policy of vertical integration, buying a chain of retail outlets and moving into plastics manufacturing.

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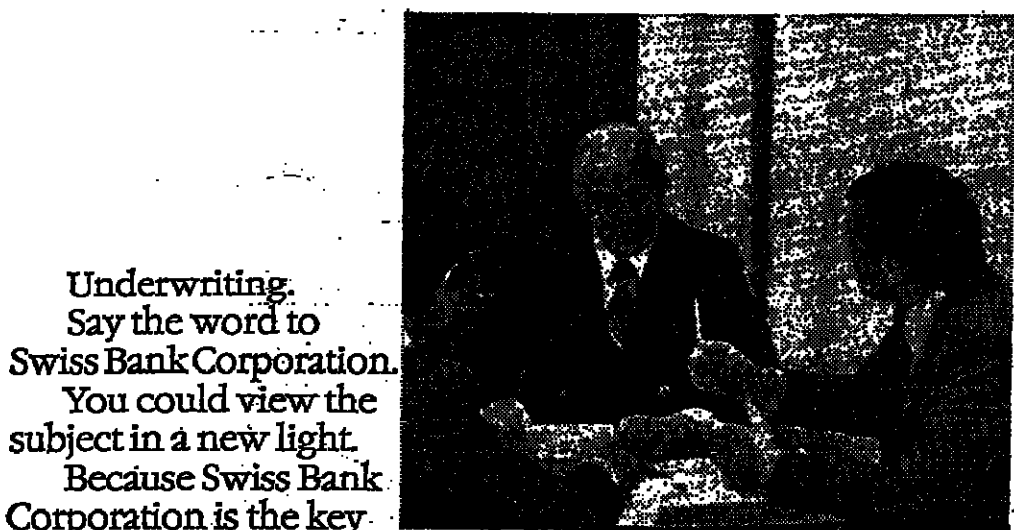
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Representative Offices (Atlantic Area): Bahrain, Kanoo Commercial Centre, Manama; Cairo, 3 Ahmed Hassan Street; Alexandria, 64 El-Hanouty Street; Johannesburg, 56 Main Street; Madrid 9, Alcala 85-7; Paris 75008, 1bis, Rue Scribe; Tehran, Khilafat Sepahbod Chahar, Azadshahr 6 (2nd Floor).

Subsidiary (Atlantic Area): Luxembourg 2, Société de Banque Suisse (Luxembourg) S.A., Boulevard Prince Henri 43.

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## Final rounds of management game

ONLY 16 of the 808 teams which entered the 1980 national management championship in January are now left with a chance of receiving a share of the £4,250 prize money from the hands of the Duke of Kent. The 16 semi-finalists, of which four will go forward to the last round of the computer-based contest in London on July 23 and 24, include 15 company teams. The other one is Seabird II, a private entry led by William Lewis.

Among the company sides are several who have previously made their names in the annual championship, which is sponsored by the Financial Times, ICI and the Institute of Chartered Accountants in England and Wales, in association with the CBI and the Institute of Directors.

Neil Tomkin still has the prospect of repeating his 1979 victory, at the head of a Rank Xerox team. Shell UK could well regain the championship which it last held in 1978. Others which have competed prominently in past years include IMI, and Peat Marwick Mitchell.

There are also teams from the accountants Joselyne Layton-Bennett, and Pannell Fitzpatrick, from Midland Bank International, Samuel Montagu, the Pantak subsidiary of EMI, Rank UK, RIM, RIG Capacitors, and Serck Audio Valves.

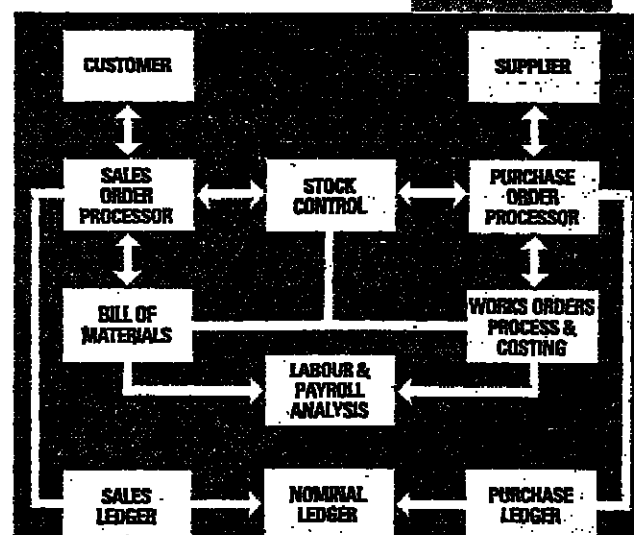
The remaining two companies in the championship semi-finals—Eastern Counties News and ICI Paints—are both distinguished by having further teams through to the semi-

finals of the subsidiary “Plate” competition for those knocked out of the main contest in the first round. Other companies with sides still hoping for a share of the Plate's £1,500 prize money are: Advance Jinen, A. Arenson Holdings, Brooke Bond Liebig, Friends Provident, ICI Mond, RCA, and Touche Ross.

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# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## ● METALWORKING

### Laser's role grows

USE OF the laser as a means of removing material from sheet metal, not in isolation but as an additional tool in CNC machines otherwise using conventional punching, notching and nibbling tools, looks as if it will soon become accepted practice.

Latest machine maker to firmly offer the facility is C. Behrens AG of West Germany, via its subsidiary at Suite 8, Orchard House, Connaught Road, Brookwood, Woking, Surrey GU24 0AT (04867 3355).

In common with Trump and others, Behrens emphasises that the laser is not destined to replace turret punch presses—only to greatly add to their flexibility.

Progressive removal of metal with a tool, nibbling, really becomes redundant with a laser especially if subsequent milling is needed to obtain the required finish. Laser cutting can take place in one handling, with good finishes, at speeds up to six metres/min in 1 mm material and one metre/min with 6 mm metal. In fact, any shape can be cut without special tooling, using the appropriate programming.

But the laser will need to be used with thought. For example,

it will be a benefit when nibbling on straight lines not parallel to the axes since pre-adjustment of tooling, or special tooling, will be unnecessary. But on straight lines that are parallel to the axes it might be that the hit rate of the press is faster than the laser. Similarly, there is no point in cutting a round hole with the laser.

Environmentally, there is the distinct advantage that the laser creates much less noise.

## ● HANDLING Equipment guide

TWO DIRECTORIES — Unit Load Directory and the Distribution Services Directory, are now available at a cost of £5 each from PEL Communications, PO Box 33W, Wembley, Middx (01-908 2122).

Perusal of these publications will indicate that they could serve a very useful purpose for buyers and specifiers of this equipment and services says the publisher.

## ● PROCESSING

### Fresh water from salt

REDUCTION OF operating costs and plant maintenance together with improved safety are the claims for a desalination process using direct current reversal techniques now offered by Ionics, 17 Old Bond Street, London W1X 3DA (01 491 8555).

Treatment of brackish water by means of electrodialysis-membrane processes is not new in itself but the current reversal technique used by Ionics is said to be a considerable improvement on the original.

In the original process water flows between alternatively placed cation and anion per-

meable membranes, a DC current providing the motive force. Salts in brackish water flowing through a membrane stack are removed or concentrated in alternative water passages.

With electrodialysis reversal (EDR) technique the electrical polarity of the stack is reversed three or four times an hour and at the same time motor operated valves reverse the product water, concentrate, and electrode streams. This reversal purges membrane and electrode surfaces of scaling and fouling materials without the continuous application of acids or

other chemicals. The need to store such reagents is thus removed.

Should more stubborn residues build up the Ionics system incorporates weekly to monthly chemical flushing activated from the front panel. Both during this and the current reversals, steps are taken to ensure that output water is not contaminated.

The company markets these systems under the Aquamite brand name and can supply models with outputs from a few tens up to 4000 cubic metres/day.

### Welds plastic sheet

VERY LARGE, one-piece plastic sheets, used often for fabricating damp courses and in roof applications, are not only difficult to handle but can prove to be expensive.

Making the material more manoeuvrable for the operator is the object of a special-purpose rig which overlaps thick plastic foils and rubber sheet.

This equipment eliminates the need to use huge, one-piece sheets and can operate on rough or uneven terrain producing a 60 mm overlap weld by virtue of its accurate, adjustable delivery of hot air to the working area, says Welwyn Tool Company, Stonehills House, Welwyn Garden City, Herts (Welwyn Garden 29121).

Called the X10, it is rated

at 3½ kW and is available for 220/240V or 110V operations. Temperature is infinitely variable, from 20 to 650 degrees C, to suit all types of plastics and weather conditions.

Rig's double pressure rollers, rated at 50kg—one above and one below the plastic—provide the welding force, and a built-in light facilitates visual inspection of the join as it is made.

The weld can incorporate a channel along its length to enable subsequent pressure testing. Repairs can be carried out by tape welding using a hand-held hot air blower.

Other applications for the equipment are in tunnels (where it can be modified for overhead use if necessary), and for lining rubbish tips and dumps for chemical waste.

## ● MANAGEMENT

### Guide to decisions

BACKED BY the National Research Development Council and supported by the Financial Times Business Information company, is a method of deriving information very quickly and in a relatively simple manner from decision tree diagrams, without the need for recourse to a computer or to computer services, even when the situation under examination is complex.

"Testrolog" describes the method, which is the brain-child of Mr. Stavros Foundos, and it applies two "filters"—for want of a better word—to the masses of information displayed in any such tree so that any submerged pattern is clearly thrown up to the investigator.

The pattern or patterns so revealed indicate clearly the various steps taken to reach a given result. Thus Testrolog tables can be set up in such a way as to incorporate the desired results in a complicated tree and thus be used to determine what are the steps necessary to achieve a company's aims.

One great advantage of the method appears to be its portability and it is possible to envisage a situation in which company planners, bereft of the

computer terminals and facing the board, would nevertheless be able to show clearly what the future holds for various strategies being suggested by board members and that without having to go back for an extra computer run.

Some idea of how the method can be used to speed up work on large tables of alternatives—such as "best buy" situations in cameras, watches, washing machines, TV sets, etc.—can be gained from the fact that for the average table established on the basis of such a selection, posing 20 questions to the matrix without the benefit of Testrolog would throw up 1m alternative possibilities.

Electronic equivalents of the method are under development but pending their availability, there seems to be little doubt that management in general could benefit from existing manual methods of manipulating and analysing the decision tables used in practically every company. Testrolog, would present few problems to the average trained programmer.

Further details from Financial Times Business Information at Bracken House, Cannon Street, London EC4 1 248 8000.

## ● COMPONENTS

### Motor controllers

ANOTHER COMPANY has moved into the area of electronic speed control systems from a basic background of mechanical transmission and

control—J. H. Fenner, of Marfleet, Hull HU9 5RA (0482 781234).

Called FennerAC, units are available for driving motors up to 11 kW and it is intended to expand the range to 25kW in the coming year. The design follows the established technique of converting the mains AC supply to DC which is then used for the production of a variable frequency AC to drive the motors, the speed of which is dependent on supply frequency. The devices are three phase.

The introduction is the result of technical collaboration between the company and LoveAC Inc in the U.S.

Controller measurements are 584 x 343 x 155 mm and the weight is 20 kg.

Use of a microprocessor allows a good degree of custom engineering so that external control of speed from tachometer units, ratio control of two machines (digitally or by analogue methods), phase locked loop control and the ability to accept four to 20 mA process control currents can all be implemented.

It is also possible to control up to ten motors in unison from a central control point at a frequency stability of 0.01 per cent, or to incorporate a programmable controller to pre-set up to seven motor speeds for instant use.

## ● MATERIALS

### Waterproof collars

SUPPLIERS OF flotation collars for North Sea pipelines for British Petroleum GEC Mechanical Handling of Erith, Kent, has selected the tough, flexible elastomer coating, Itrathane 155, to protect the vulnerable closed-cell foam buoyancy units from damage and distortion says Itrathane International, 67 Park Street, Camberley, Surrey (0276 26466).

Protection of these collars demands a waterproof coating product which is tough enough to resist repeated compressions without exploding loss of shape, or sinking.

Due to the Itrathane product's natural buoyancy, a weight penalty is not imposed, and the material was found to meet all requirements.

Applied by an airless spray, it forms a continuous, extremely tough, abrasion-proof coating which not only floats but is resistant to cold, heat, and salt/sand spray.

The company says the material is accepted by Lloyd's Register of Shipping for external underwater protection also of the hulls of yachts and other small craft.

### Insulates deep under the sea

ORDER FOR a major share of the special polyethylene needed to insulate TAT-7—the new transatlantic submarine telecommunications cable—has been won by BXL Plastics, Buchanan House, 3 St. James's Square, London SW1 (01-839 7077).

Worth £4m, about 3,700 tonnes of the compound—BXL polyethylene DFDK 1071 Natural—will be extruded over the cable's copper inner conductor.

This is specially produced to be electrically clean (resulting in low signal losses) and, coupled with its mechanical properties and environmental stress crack resistance is particularly suitable for this application.

Cable will be able to carry 4,200 simultaneous telephone, computer, data and telex messages between Europe and North America. It will run from Land's End in England to the Tuckerton, New Jersey, U.S., and circuits will be provided for 20 nations. Total cost will be about £100m and completion is scheduled for 1993.

Compound used for this job is one of the special low-density polyethylene types produced by the company for the wire and cable industry.

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## ● SAFETY

### Answer to marine problems

SPECIALLY DEVELOPED for the safe removal of both blue and white asbestos from marine vessels is a system based on large, high-performance electric or diesel-powered vacuum plants, built specifically for the job by Envirocor, Langton House, Bird Street, Lichfield, Staffs (Lichfield 52335).

Linked to a contaminated site via runs of lightweight 100-mm-diameter pipework, each machine is capable of pulling asbestos from work areas up to 300 metres away.

Vacuumed asbestos waste is deposited within vacuum-tight skips where it is stirred with water for safe disposal at the nearest approved tip.

Work area itself is completely isolated, says the company. All exits to the atmosphere are sealed, and exit-entry air-locks constructed. Within this sealed area, trained strippers (operators in full protective clothing) work in a constant negative pressure provided by the vacuum process.

Upon completion of a shift or work period, all contaminated work clothing is left within the air-lock for sealing into air-tight bags. Strippers having changed into clean overalls then proceed to the company's special mobile decontamination units situated alongside.

Safety is claimed because the system is totally enclosed and self-contained—even vacuum filters automatically de-dust and recirculate filter dust back into the sealed skips along with the bulk waste. Thus, no asbestos fibres escape to the atmosphere and restricted access is, in most cases, confined to the work area itself. Other work adjacent to the site may continue uninterrupted.

### Cleans in dangerous areas

DESIGNED initially for cleaning down decks of very large crude carriers a high-pressure air driven water pump is now being offered for use in any location where there is a high risk of explosion and an air compressor is available. It is being offered by Flexian Hydraulics, Mitchell Road, Churchfields, Salisbury, Wilts. SP2 7PZ (0722 24433).

The pump has wear and corrosion-resistant stainless steel pumping chambers, hard wearing Nitrile synthetic rubber diaphragms, and will run dry without overheating or damage. It is self-priming and is able to deliver a wide range of chemicals, disinfectants and detergents.

The standard unit is mounted on a two-wheel trolley and comes with 60 ft of high pressure single wire braided delivery hose, 10 ft of inlet hose with free flow filter, a dead-man's safety gun, pressure safety relief valve, two jets, twin conical mesh silencers, air line filter and mist lubricator, and air pressure regulator valve.

## ● ELECTRONICS

### Low light camera

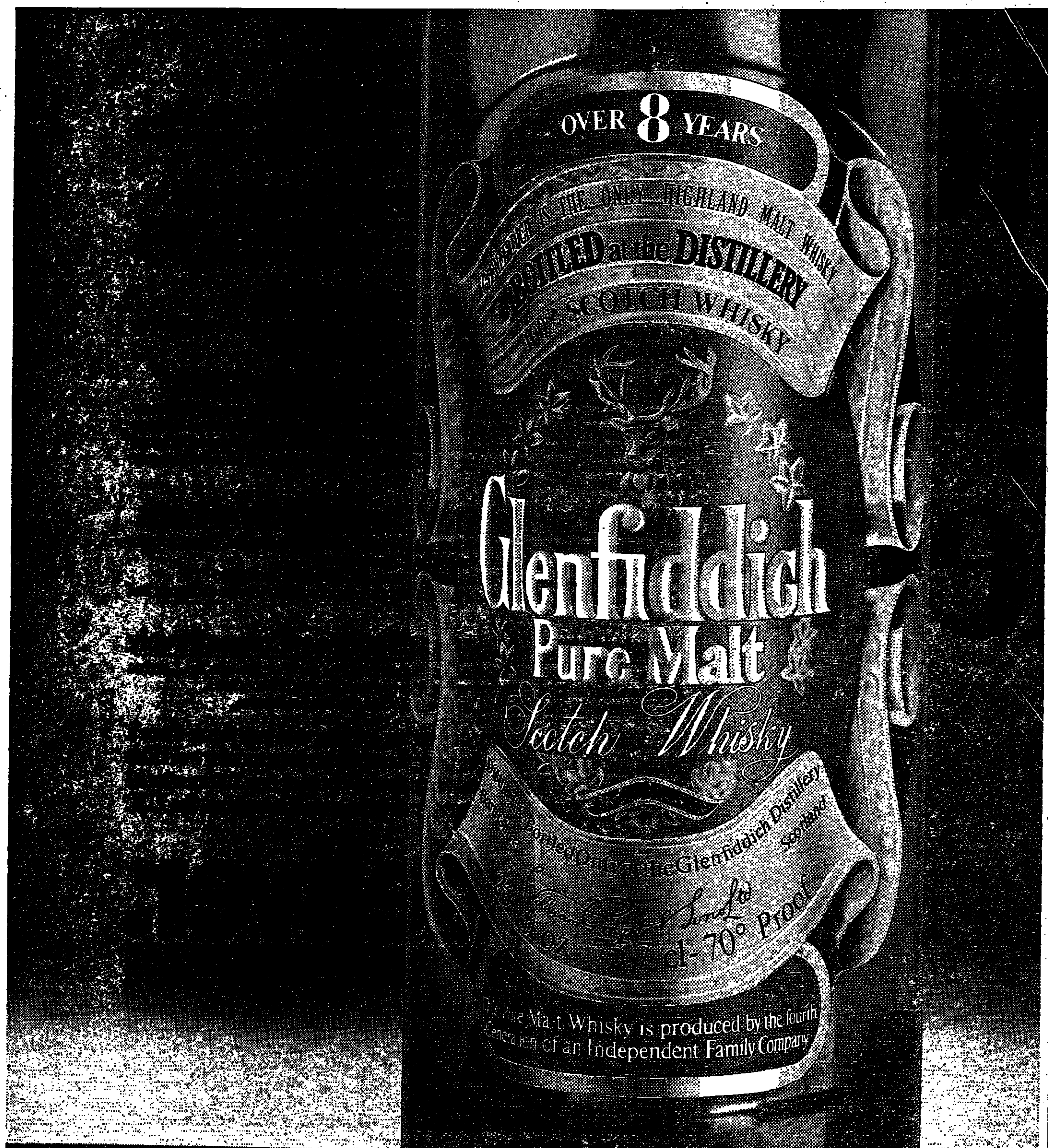
FOR CLOSED circuit television systems, Cotron Electronics of Eagle Street, Coventry CV1 4GJ (0203 212497) can offer a development of its low light camera which allows video recording of high speed activity with a very low frame exposure time, resulting in particularly sharp stop-motion single frame playback from a recorder.

In fact, the effective tube target exposure time is only 10 microseconds instead of the normal 20 milliseconds field scan time of a 625 line system so that the normal blurring of fast action on the screen is largely removed.

The camera uses a silicon intensified tube and it is so arranged that the charge pattern corresponding to the scene on the tube target is established extremely quickly by pulsing the intensifier voltage (the pulse duration is equivalent to the shutter speed of an ordinary camera). After it is sharply established, it is scanned by the electron beam in the normal way.

Cotron believes that the new camera offers a convenient and cost effective alternative to the high speed cine camera in some applications. It can provide good pictures with minimum exposure times and without the need for electronic flash.

A secondary advantage is that each picture has low noise content due to the short exposure time.



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## FINANCIAL TIMES SURVEY

Tuesday June 10 1980

## Mexican Tourism

## Immense potential largely untapped

By William Chislett

MEXICO'S FLEDGLING tourist industry has everything going for it. The country is blessed with sun for most of the year. It is endowed with a rich and varied history and it also enjoys political stability and comparatively cheap prices. The tourism potential is huge and it is largely untapped.

More tourists visit the tiny islands of Hawaii each year than visit Mexico—and Mexico is a gigantic country in comparison. With a great deal more to offer. According to the World Tourism Organisation, Mexico receives a mere 1.4 per cent of world tourism a year, and Hawaii 1.46 per cent.

But only recently, with the discovery of Mexico's tremendous oil wealth, has the Government been able to seriously study the country's tourism potential. The oil for export, produced by the State monopoly, Pemex, is swelling the State's coffers and providing funds for many sectors of the economy—among them tourism.

Nevertheless, even at its present level of activity, the tourism industry is booming and is one of Mexico's major foreign exchange earners after the oil. This year, the revenue from tourism is expected to amount to about \$1.6bn, twenty per cent more than 1979.

Expenditure abroad by Mexicans on holiday is put at \$800m. The surplus will be about 11 per cent more than 1979. For comparison, the 1980 Pemex oil

revenue from exports is forecast at a maximum of \$11bn.

The tourism revenue is based on 4.6m people visiting Mexico this year—a 3.5 per cent increase over 1979. About 85 per cent come from the U.S. and the rest from Europe and the Far East.

Mexico's main catchment area is obviously the U.S., but even though they are neighbouring countries, Mexico still only receives around 12 per cent of U.S. citizens who spend their holidays abroad. A trifling 0.1 per cent of West European holiday-makers visit Mexico a year.

Linked with the low number of visitors who come to Mexico are the high number of Mexicans who spend their holidays abroad. This year, some 3m Mexicans are expected to visit foreign countries. Mexico will provide almost 14 per cent of incoming U.S. tourism. This outflow of Mexicans is, of course, a drain on the country's economy.

The Government's aim, therefore, is to attract far more foreign visitors and to encourage Mexicans to explore their own country.

The goals of the recently announced National Tourism Plan are: to attract 8.5m visitors by 1985 (compared with 4.1m in 1979); and to build 172,000 new hotel rooms to reach a total of 420,000 and to create 1.2m new jobs in the tourism industry which would bring the total to 3.2m.

Tourism revenue is estimated at \$3.5bn in 1985. If these goals are reached, then the tourism sector will contribute 6.9 per cent of GDP as against the present 5 per cent.

In a country with social problems the magnitude of Mexico's, the highly labour-intensive tourism sector assumes great importance. No other sector of the economy has such a multiplying effect. For every new hotel room built, a new permanent job is created and services are needed to back up each hotel.

With unemployment and under-employment estimated at

By standards of world tourism, Mexico attracts only a small proportion of foreign visitors. But plans are being made to develop the nation's potentially huge tourism industry which could be attracting 8.5m visitors a year by 1985.



The mid-16th century church of San Augustin Acolman on the northern outskirts of Mexico City

over 40 per cent of the workforce, an expanding tourism industry is a key employment weapon. The oil industry, on the other hand needs far fewer jobs to keep itself in business.

Mexico's "Black Gold" is fulfilling a dual role. Not only does the mounting oil revenue give the Government funds—and thereby remove the country's traditional constraint on growth—but also domestic fuel prices are kept low to further encourage growth.

While it is costly for the Government to subsidise petrol prices domestically—to the tune of 100bn pesos (\$4.4bn) a year, the existence of cheap petrol is an added stimulus for people to

visit Mexico. You can fill the tank of a Volkswagen (the most popular car in Mexico) full of ordinary grade (Nova) petrol for less than 100 pesos (\$2) and the top quality petrol, (Extra), is only 37p—and its price has not risen since 1976.

According to the Financial Times latest survey of living costs for businessmen around the world, you can travel five kms in a taxi in Mexico for 0.83p, compared with £2.50 in a London taxi.

Bed-and-breakfast in Mexico City, according to the same survey, is £27.10 as against £65.50 in London.

The 45 per cent devaluation

of the peso in August, 1976, has maintained Mexico's competitiveness. However, with inflation running at over 20 per cent and the failure of the Government to keep it roughly in line with that of its main trading partner, the U.S., the peso could come under increasing pressure.

Mexico is one of those countries where you should hire a car if you want to "feel and smell" the country. The cheap petrol makes this possible.

The country is a mosaic of contrasts—from the flat landscape of the Yucatan Peninsula in the south, with its magnificently preserved pre-Colombian ruins to, in the north-west, the mountainous cañon-dotted Penin-

sular of Baja California and in the central part colonial Mexico. Most people are not aware that Mexico is a land of contrasts since their main knowledge or acquaintance with the country comes from places such as Acapulco, the Pacific coast resort and "watering hole" for the rich and famous, which is as about as representative of Mexico as Blackpool is of England and Benidorm is of Spain.

It is an essential part of the Government's tourism policy that large new areas of the country be opened up to visitors. Baja California Sur, the Yucatan and Ixtapa-Zihuatanejo, further up the

Pacific coast from Acapulco, are the main new focal points.

This policy is part and parcel of the overall decentralisation plan for the Mexican economy. Tourism officials admit, however, that there are dangers inherent in opening up new areas if it is not carried out carefully and slowly. Many parts of impoverished, rural Mexico are in dire need of transformation, but it should be done with particular attention to the needs of the local population and not just the luxuries which visitors expect, otherwise the country's social problems will be compounded.

A smart lick of whitewash along the walls of the main street, the construction of swish hotels and leaving the local population in their shacks will not make for social harmony.

Acapulco, for example, is now regarded as a bad example for the tourist industry—sumptuous villas and luxury hotels are surrounded by a "belt of misery" and this has created resentment among the local population and heightened social tensions.

Tourism is a well-known catalyst for unrest, the massive exodus from Cuba, for example, was to some extent the result of opening the doors of that country to foreign visitors and creating a glaring dual economy.

As Mexico moves into high gear in the construction of stronger and more broadly based tourism industry, so the role of private Mexican banks and foreign hotels is increasing.

Demand for hotel rooms is now ahead of supply. In order to promote the quick construction of new rooms, the Government's National Tourism Development Fund, known by its Spanish acronym as Fonatur, is providing up to 90 per cent of the resources for private bank credits to hotel developers at extremely favourable rates. Mexican banks are becoming major participants in the tourism industry's growth.

The private bank, which in

Mexico have a cosy relationship with the Government, are making easy profits from tourism. They can borrow from Fonatur at interest rates that are 2 percentage points below the rate they then charge the subsidiary of a foreign hotel seeking a loan.

As hotel owners, a bank can enjoy such fiscal incentives as 12 per cent tax credits. Banamex, the number two private bank, has \$35m invested in 20 different hotels. With Western International, it has a joint venture—owning the majority of stock of Hoteles Camino Real—and with Quality Inns, Banamex has a management role.

Multibanco Comerme recently formed a joint venture with Hilton International to operate 12 new hotels over the next five years.

Mexico's major holding companies, such as the Monterrey-based Grupo Alfa have also been quick to spot the easy money to be made from tourism. Alfa bought the last Hadas Hotel in Manzanillo and is developing the entire resort.

Banks are now actively seeking out foreign hotel chains and then tapping Fonatur for some of its \$175m-worth of credit available this year.

At the same time, Mexico's two airline companies, the privately-owned Mexicana and the state's Aeromexico, are rapidly expanding. During the past five years, air traffic has doubled. Last year, 10m travellers used the Mexico City Airport, and a new airport for the congested capital is planned.

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## MEXICAN TOURISM II

## Capital city becomes an urban nightmare

**FLYING INTO** Mexico City (pop. 14m) is an unenviable experience for the first-time visitor and an inauspicious welcome to a beautiful country. But it does offer the best bird's eye view of the tremendous problems of this urban monster which by the year 2000 will be the world's largest city with a population of around 30m.

The approach to the capital is heralded by the magnificent snowcapped volcanoes, Popocatepetl and Ixtaccihuatl, the latter known because of its shape as "the sleeping woman." Then, in an almost perfectly shaped bowl surrounded by other mountains, the city sprawls as far as the eye can see.

On the few clear days the view of so many cars and dwellings, ranging from shacks in the folds of the mountains to prominent high-rise buildings like the Latin American tower can be awe-inspiring. But most days the jets fly straight into a brownish, hazy cloud of smog which hangs ominously over the city and severely restricts vision.

Once on the ground the visitor will quickly appreciate how high up is the city (7,500 feet) and

also how great is the degree of pollution. After a few hours in the city you will probably be gasping a little for breath and the mountains you passed flying in cannot be fully seen except on a few odd days.

One such was a day in January, a day which residents of the city still remember. Rain in the valley of Mexico caused the smog to lift. Overnight the air became crystal clear, ridding itself of the poisonous fumes. The snow-capped mountains and the volcanoes suddenly loomed into focus on the horizon and became the favourite talking point of the day. The Mexican Press carried front page photographs the next day recording the event.

It was as if we had all been walking around in the dark for months and suddenly the darkness lifted to reveal a breathtaking panorama. However three days later with the return of the smog the mountains disappeared from view and it was back to the common fare of itchy eyes, sore throats and thumping headaches.

Visitors who were lucky to spend that weekend in Mexico City may well have wondered why the city's residents make

so much fuss about living in the capital. Those few who stayed more than a week—a minority, for most only pass through Mexico City on the way to more beautiful and representative parts of the country—were probably able to appreciate some of the means.

It is only in the past 40 years, during which time the capital's population has increased sevenfold, that Mexico City has become an urban nightmare.

When Cortes arrived in Mexico in 1519 he was to behold one of the great imperial cities of the world. It remained, with the Spaniards superimposing their colonial buildings on the Indian civilisation, a pleasant place in which to live until quite recently. Just how beautiful Tenochtitlan, the Aztec capital, built on a series of islands in the middle of a lake, must have been was gauged on that memorable clear day.

#### Water supply

The Aztecs lived within sight of the volcanoes and Lake Texcoco supplied endless fresh water. The volcanoes are now hidden by the smog and the lake has dried up, making water supply difficult. Most of it has to be pumped over the moun-

tains from reservoirs.

It made sense for the Spaniards to keep the capital where it was, for the surrounding mountains offered natural protection. Today these same mountains prevent the escape of a great deal of the smog caused by the exhaust fumes from 2m vehicles, the outgoings of over half the country's industries concentrated in the metropolitan area, and probably worst of all the refinery of Pemex, the State oil monopoly.

The smog, according to experts, is of the photochemical variety, for with the altitude, the reduced oxygen and the still atmospheric conditions, more ultra violet rays reach the polluted air than would happen at sea level. This makes the capital, unless you are rich enough to live up in the hills, an unhealthy place.

Unchecked growth has turned Mexico City into the country's political, financial, industrial, commercial, educational, cultural and with the shrine of the Virgin of Guadalupe (the patron saint of Mexico), religious capital.

The city's population is increasing by 5.6 per cent a year (compare London's, which is

actually falling)—3 per cent from the birth rate and 2.6 per cent from massive migration to the capital from the impoverished countryside. The number of cars rises by a frightening 12 per cent a year. One-fifth of the country's population lives in Mexico City.

"We never thought we would reach such a monstrously high population," Mexico City's mayor, Sr. Carlos Hank Gonzalez, admits.

It has been reached because fiscal incentives encouraged industry to move to the capital and because little has been done to improve the miserable lot of the great mass of rural poor. The Mexican Government is so centralised and the bureaucracy so unwieldy that many companies felt that they had to be based in the capital.

Along with industry came millions of unemployed from the countryside looking for a job. The poor, faced with little cheap housing provided by the Government, invaded land in outlying districts and created shacks like the *Nezahualcoyotl*, known locally as "the sleeping giant." *Nezahualcoyotl* did not exist in 1960. Today it is a "lost city" of some 2m people, many housed in makeshift shacks. It is a frightening testimony to unplanned industrialisation.

Having ignored the problems for so many years, the Government is now turning its attention to how it can best defuse an explosive situation. Many believe that it is already too late really to rectify the city's problems and that whatever is done the population will

be—according to the World Bank—over 30m by the year 2000. Fortunately the Government has not given up hope and is making an effort to plan on a long-term basis in order, says Sr. Hank Gonzalez, with a grin, "to avoid being caught with our pants down again."

As befits such a vast city, the capital's master plan, announced last year, is immense. It is divided into many areas—the metro underground, railway system, water supply, road construction, ecology rubbish collection, security, schools and housing.

#### Growth rate

The key to curtailing the city's high growth rate is decentralisation. This is the focal point of the Ministry of Industry's national development plan, which has named four port development areas, two on the Pacific coast, Lazaro Cardenas and Salina Cruz, and two on the Gulf coast, Tampico and Coahuila. Fiscal incentives are also given in varying degrees to 119 municipal areas. Mexico City no longer enjoys tax benefits.

A serious family planning programme is also underway for no longer is the belief held that "to govern is to populate."

The traffic chaos can only be smoothed by creating an adequate public transport system. Understandably the car is still a status symbol in Mexico. With petrol at the equivalent of 37p a gallon there is little incentive to use buses or the metro.

Mexico, given its immense oil reserves and the Government

policy of heavily subsidising domestic petrol prices, is one of the few countries in the world where modest families still manage to run large cars. The average occupancy rate of cars in Mexico City is a mere 1.3 people.

This cannot last for ever, however, and unfortunately a good example is not yet being set by legions of civil servants, who are chauffeured-driven to work in expensive and unnecessarily large cars.

At the same time public transport is so inadequate and crowded that people's reluctance to use it is understandable. The metro is clean, fast and cheap, but it is a rough ride as it is so crowded. The buses are piercingly noisy and often impossible to get on unless you force your way in. Realising that one day the city's traffic may well grind to a halt, work on expanding the metro and increasing the number of buses is being carried out.

A start was also made last year on improving the traffic flow by completing on time the first 15 of a planned 34 cross-city "eyes *viales*"—one-way boulevards with often a trolley bus going in the reverse direction down one side. They are effective, but their construction has meant the loss of some green spaces and a lot of inconvenience for people whose homes lie in their path.

The number of trolley buses will increase from the present 655 to 2,000 by 1982 and they should relieve the traffic burden. So too will the extension of the metro. Between now and the year 2010, 15 new lines are

planned to cover 437 km. The aim is that by then one-third of the city's traffic load will use the metro compared to the present 11 per cent. One kilometre of new metro track is being laid a month at the moment; something of a world record.

In order to alleviate the polluted atmosphere a supposed crackdown is being started on pollution offenders, but is unlikely to have any substantial effect. The Government knows that it is politically unacceptable to expect a poor Mexican family, which has struggled to buy a battered old car, to keep it in good condition.

A great deal more can be done, however, to ensure that industrialists install anti-pollution equipment in their factories. The law is in fact stringent on this, but as in so many other things in Mexico there is an enormous difference between theory and practice.

In the matter of green spaces the Government is trying to compensate for the lack of them by planting millions of trees in and around the capital. A "green belt" of 120m trees is targeted for 1982; so far over 15m have been planted.

#### Highlights

Most visitors sensibly spend most of their holidays in Mexico, outside the capital. There are, however, several places in Mexico City which are worth visiting. They include the fabulous anthropological museum in Chapultepec park; the National Ballet Company at the Bellas Artes theatre; places of curiosity like Trotsky's house, where he was assassinated in exile and is buried; the mausoleum of Diego Rivera in the National Palace and the old colonial area of Coyoacan.

Business too is beginning to weigh up the advantages of staying in Mexico City or coming to it in order to hold conventions. In 1975 there were 216 conventions in the capital involving a total of 381,949 people. Only three years later this figure had dropped to 135 conventions and 57,764 people, far far more conventions are being held in less crowded places like Guadalajara and Acapulco.

In January, Banamex, a leading private bank, took the unprecedented step of announcing that it would gradually move all its 4,000 staff over the next few years out of the capital to the peace and quiet of Queretaro. Those who do not want to move will have to leave the bank. Most are happy to make the move.

William Chislett



Mexico City Cathedral, the largest and oldest church in Latin America

## How tourism is administered

A 1910 GUIDE BOOK listing Mexico's major tourist facilities said there were then 68 hotels, six guest houses and 19 quality restaurants in Mexico City. There were no five-star ratings.

Today, tourism in Mexico is a multi-billion dollar industry involving Government agencies, State companies and private business groups.

The Tourism Ministry is responsible for the overall regulation of the industry. It sets prices for hotels and restaurants, regularly inspects Mexico's hotels, trains workers in all sectors of the industry and oversees tourist promotion within Mexico.

Before any hotel opens, it must be licensed by the Ministry, which fixes prices based on services offered. The Ministry spot checks all hotels and ensures that the promised level of service is maintained.

In April, the ministry started training programmes throughout the country. Nine thousand hotel and restaurant workers are scheduled to receive instruction this year, and 12,000 next year. For management, the ministry hopes to bring instructors from Switzerland's Lausanne School of Hotel Management.

In local promotion, the tourism ministry operates 29 State offices throughout the country.

The national Tourism Council, however, is the Government agency responsible for promoting Mexican tourism in foreign markets.

Since it was formed in 1961, the council has been run by the millionaire, Sr. Miguel Aleman, who was Mexico's president from 1946-52.

The council, which has the sole responsibility of foreign promotion, operates 29 foreign offices, 14 in the U.S., three in Canada, nine in Europe and one each in Argentina, Japan and Australia. Each office is responsible for promotion in its respective market.

#### Promotions

The tourism council has three U.S. public relations companies and an advertising agency working for it. When snow begins falling in the U.S., billboards listing Acapulco temperatures are posted.

The council works closely with private companies. Airlines are given free promotional spot announcements on television and the council also sponsors travel fairs in Mexico and abroad.

Sr. Aleman, himself an Acapulco property-owner, has won praise from Mexico's business establishment for building up the tourism industry.

The third Government agency involved in tourism is the National Tourism Development Fund (Fonatur), which finances about half of all hotel construction in the country.

Low-interest loans—up to several points below market rates—are offered by private banks and are available for a variety of tourism projects, including joint ventures between Mexican and foreign firms. Last year Fonatur granted credit for 3.4bn pesos (\$150m).

The fund also is responsible for targeting new tourism development sites. Its first major project was Cancun on the Caribbean coast, built on what had been a virtually uninhabited white-sand spit on the Yucatan Peninsula. Fonatur's latest project is building Cancun-type resorts in two Baja California fishing villages.

When Fonatur selects an area for a new tourism centre, one of the first hotels to be built is usually one operated by the State-owned Nacional Hotelera Company.

Nacional Hotelera, the largest hotel management company in Mexico, owns three hotels, rents another three and operates 14 on contracts with Government agencies and private owners. Almost all the hotels are large, luxury complexes.

Nacional Hotelera is one of Mexico's most profitable State ventures. Pre-tax profits for 1979 were 410m pesos (\$18m), an increase of 72 per cent over 1978. Profits are expected to increase by 36 per cent this year.

Other State companies active in tourism include the Sonora Bank, which operates a pesos 1.3bn (\$57m) Tourism Loan Fund, and Aeromexico Airlines, which spent about 46m pesos (\$2m) on foreign promotion last year.

In the private sector, Mexicana Airlines spent 144m pesos (\$6.3m) on promotion in 1979, much of it on advertising in the 11 U.S. cities Mexicana serves.

Private hotel companies generally manage their own promotion. Those in joint ventures with U.S. hotel chains usually promote their Mexican facilities through American partners' outlets in the U.S.

The private sector also has been active in expanding tourism by organising conventions throughout the country. Mexico City, Acapulco, Monterrey and Guadalajara have privately-funded bureaus, which organised about 1,500 conventions last year.

Mark Fazlollah

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## MEXICAN TOURISM III

## New developments on Pacific coast

THERE ARE not many places in the world where you can sit on a vast expanse of deserted beach and suddenly see a whale rise out of the sunlit ocean to blow.

Cabo San Lucas, at the tip of Baja California, the long narrow peninsula which runs south from the U.S. border between the Pacific and the Gulf of California, is one such place. Unfortunately the few of us on the beach at the time were so astonished—wondering whether it might have been a mirage—that the whale had disappeared by the time we had found our cameras. The bay is inaccessible except by helicopter, boat or donkey over the mountains. Cabo San Lucas, however, is linked to the U.S. and Mexico by jet.

The terrain of Baja California—which is divided into two States, Baja California Norte and Baja California Sur—is mostly desert covered in cactus, the perch of vultures and ravens. A jagged mountain range forms the backbone of the peninsula.

Baja California Norte, by virtue of its proximity to the U.S., is a great deal more developed than Baja California Sur. There are many in-bond plants which use U.S. raw materials and Mexican labour, and the Morelos dam has turned

the Mexicali valley into a productive agricultural area.

Tijuana is for millions of U.S. citizens the gateway to a continent totally alien from North America. On Sundays in particular tens of thousands of them drive across the border, some just to fill up their cars with the far cheaper Mexican petrol, others to spend an afternoon at the bullring.

## Unexploited

Baja California Sur, however, is largely unexploited and is one of the least populated areas in Mexico. As a result, it has been chosen by the Government as one of the main tourist areas of the future.

La Paz, its capital, has a population of 100,000 in an area of 22,000 square kms; by comparison, El Salvador, the small Central American republic, has over 4m people in an area only slightly larger.

Phosphorous and copper mining, cotton and salt production are the main industrial activities of this State, whose total population is about 200,000. Pemex, the State oil monopoly, is also exploring for oil and natural gas, but has not yet announced the results of its investigations.

The salt-producing complex at Guaymas Negro, with an annual production of 5m tonnes, is one

of the largest in the world. The salt is extracted from sea water in the bay known as Ojo de Liebre.

Southern Baja Californians feel even more cut off from the rest of Mexico than their fellow Mexicans at the other end of the country in the Yucatan. Baja California Sur did not become a State until 1974. Before that it was a forgotten "territory" with a governor nominated by the federal Government. In Mexico City as opposed to one elected locally. Invariably the governor was a military man who was little interested in his domain.

The Lopez Portillo administration has carried on the work started by the previous administration and is channelling more resources to the new State and giving it fiscal incentives. La Paz is a free port and the 10 per cent VAT, introduced on January 1, is charged at the rate of 6 per cent in Baja California.

Cabo San Lucas has nine hotels and development there, which has been mainly in the hands of the private sector, is being halted for the time being in favour of San Jose del Cabo, 20 miles away.

Fonatur, the Government's financial agency for tourist developments, is planning, with an initial investment of 1.2bn



The Temple of the Jaguar at Chichen-Itza

pesos (\$53m), the construction of a tourist complex. It will include 3,000 rooms and a golf course. In contrast to many other areas, there is no water problem in this part of the peninsula.

The development at Cabo San Lucas has been of an exclusive nature and the same will be the case at San Jose del Cabo. Prices are cheap by international standards but high by Mexican standards for there is no intention of creating resorts in Baja California Sur having the more popular appeal of parts of Cancun, on the Caribbean coast, and Acapulco.

No building will be more than two storeys high and only the main streets will be paved. The idea, explained a tourism delegate for the area, is "to preserve the out-of-the-way and desert atmosphere of this part of the coast."

## Luxury hotels

Twenty years ago Cabo San Lucas had three luxury hotels and was a favourite holiday hiding spot for, among other celebrities, John Wayne and Henry Kissinger. "They came to get away from everything and not be bothered," said the delegate. At Cabo San Lucas hotel rooms have by intent no telephone or television.

While Fonatur is planning the development of Cabo San Jose, Mexico's largest holding company, Grupo Alfa, has for the last four years been turning another part of the Pacific coast into an exclusive resort. Alfa, whose motto can be

said to be expansion and diversification, moved in 1975 out of its traditional area of steel and packaging and bought Hotel Las Hadas and 1,235 acres of coastal land near Manzanillo in the State of Colima for an undisclosed price. Alfa, through one of its subsidiaries, Casolar, is believed to have spent 50n pesos (\$221m) on its initial outlay.

## Prime site

The hotel belonged to a Bolivian tin magnate who used it to accommodate his friends and was not very concerned about making a profit. Alfa, after studying various sectors of the economy, decided to move quickly into tourism and with equal speed found a prime site near the international airport at Manzanillo.

The hotel management was replaced with Alfa's own people, many of them trained in the U.S., and the occupancy rate shot up. The land surrounding the hotel's own 15 acres is being planned for several projects.

Among them are the Las Hadas village of Burgos, whose stark white roofs, domes and towers are separated by terraces covered with ochre tiles in order to avoid the sun's strong reflections. There is also a marina, a golf course and land for sale to build villas. Flats and villas can also be bought on a time-sharing basis. A plot of land and a villa built to design costs anything up to \$500,000.

W.C.

## Priceless treasures from the past

MEXICANS are justifiably proud of their culture and nowhere is it more proudly displayed than in the magnificent Museum of Anthropology in Mexico City. Gathered together in a beautifully lit building are priceless pre-Spanish conquest pieces.

The museum, one of the finest in the world, is a testimony not only to the richness of the Mayan, Aztec and other cultures but also to the care and money which the Mexican Government lavishes on preserving its past. Sadly, the same attention is not always given to today's indigenous population.

Set in the Chapultepec Park, to the side of the noisy Paseo de la Reforma—the capital's main artery—the museum displays, in a refreshingly logical fashion, the civilisations before the arrival of the Spanish conquerors at the beginning of the sixteenth century.

Visitors should keep to the recommended route of the museum—and not to go on a Monday, as the museum is closed—and, if you have the time, not to attempt to see everything in one go. There is so much to see.

## Strange names

If you first visit, as indicated, the hall which gives you a general idea of the meaning and scope of the museum and then visit the various rooms you should emerge at the end with a fairly clear idea of Mexico's past.

Those strange, long-winded names, such as the plumed serpent, Quetzalcoatl (which you can never roll off your tongue), should at least make more sense to you.

The rooms trace the sequence of cultures from their most remote origins, through the Pre-classic, Teotihuacan and Toltec stages, down to the Aztec

world. There is everything from jewellery to weapons, statues and delicately carved figurines. Outside the museum is the massive, 30-foot high, statue of Tlaloc, the rain god, which, when taken to the museum from near the town of Texcoco, was accompanied by protesting cloud bursts.

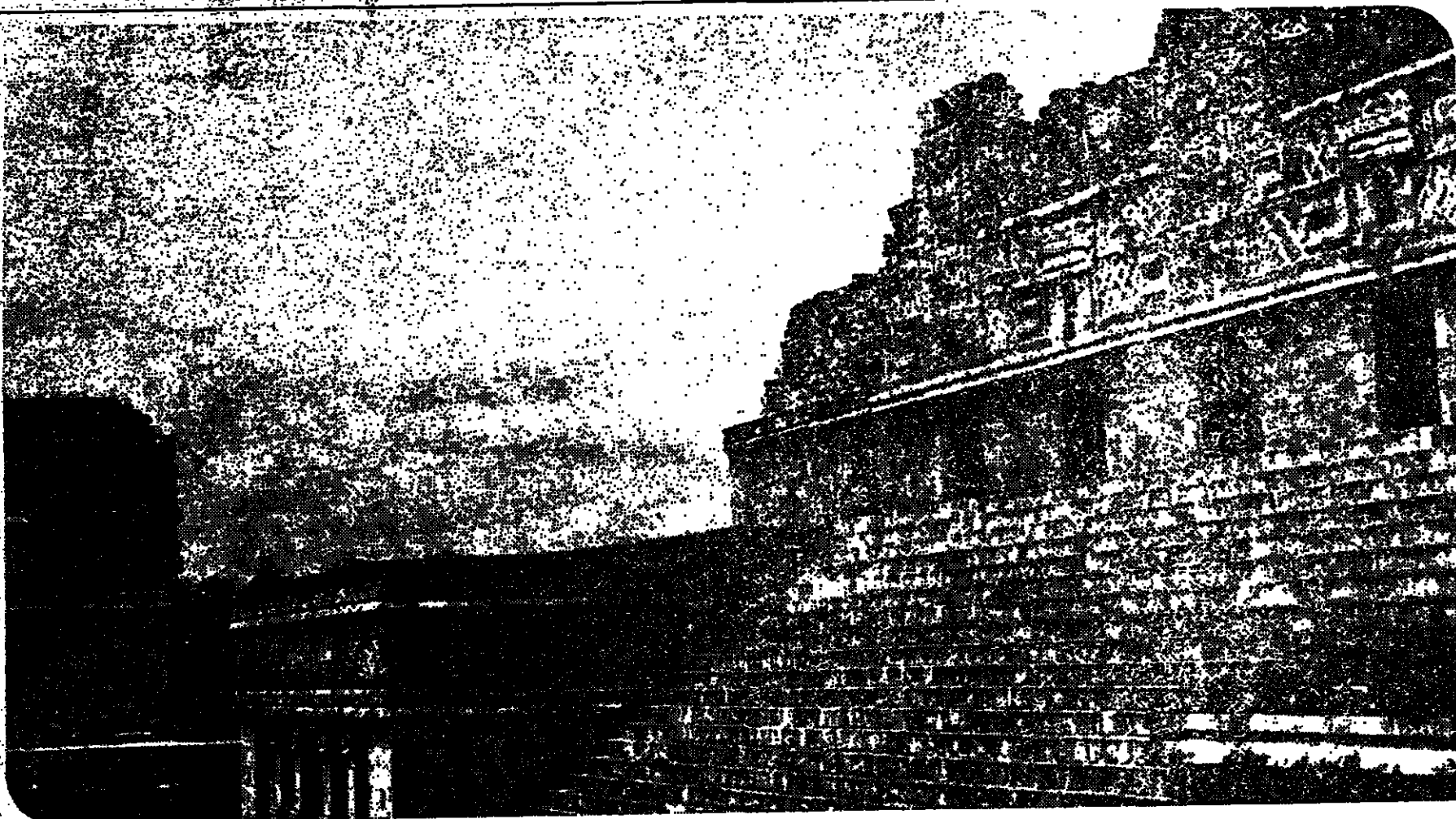
The museum itself is a fine piece of modern architecture. In the central area is an enormous mushroom-shaped pillar, decorated with carvings, which supports a giant metal-ribbed roof.

And unlike most museums, which often have that crusty, unreal feeling, Mexico's museum is linked to the present day. Look at the Indian costumes and, as you walk down Paseo de la Reforma, you will pass Indian women begging in the street and wearing very similar clothes.

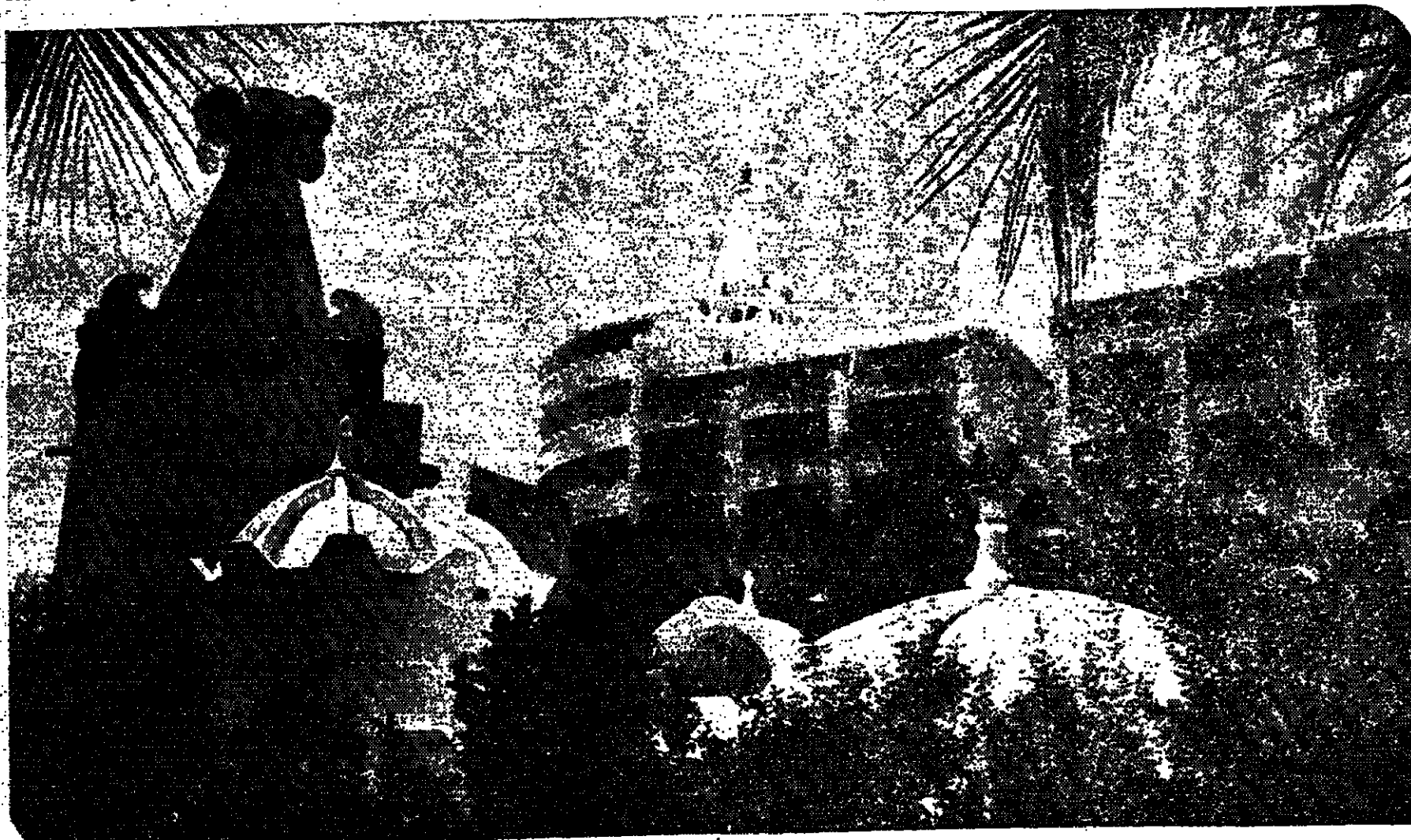
W.C.



Hotels in Manzanillo, the resort on the Pacific coast



Uxmal - Courtyard of the nuns, temple of the Mayan civilization c. 13th century.



Hotel Las Hadas in Manzanillo, a Casolar tourism development.

## GRANDEUR

The architecture of Mexico has at all times been noted for its ample proportions, for a concept of grandeur beyond the construction itself which becomes the very affirmation of an attitude towards life, time and the human dimension in conjunction with Nature.

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## MEXICAN TOURISM IV

## Area of startling contrasts

## OAXACA

THE STATE of Oaxaca in south Mexico is a microcosm of Mexico's multi-ethnic society and of its tremendous social problems. It is also one of the most beautiful parts of Mexico and probably the most representative place to visit for those with a limited amount of time.

Mexico's Minister of Industry, St. Jose Andres de Oteyza, recently acknowledged that the Government "has an old debt with Oaxaca" and said that the Government intended to repay it. Pope John Paul II used Oaxaca, out of all the places he visited last year in Mexico, to speak about the plight of the poor and the need for reform to improve the lot of the down-trodden.

When the Minister referred to the debt with Oaxaca he was referring to the vital role which the State, and some of its sons, has played in forging contemporary Mexico and which has been rewarded with neglect.

Oaxaca's most famous son was Benito Juarez, a poor Zapotecan peasant who rose to be Mexico's first and only pure Indian president. He defeated the Emperor Maximilian in 1867, so making Mexico independent of French rule, and restored the republic.

## Revered figure

Juarez, a venerated figure whose remains are in a much revered monument in Mexico City and whose name adorns streets in every village and town in Mexico, carried out liberal reform including taking over church properties. He also banned bullfighting in the State of Oaxaca.

Since then the "revolutionary family," the amorphous elite which has ruled Mexico since the 1910 revolution, has capitalised on his name but has not followed through his work. The ban on bullfighting in Oaxaca is still in force, apart from one small ring which is exempt, but the impoverished condition of the indigenous population has not greatly changed since Juarez's day.

Oaxaca is Mexico's fifth largest State and in terms of population (2.6m) the eighth largest. Per square kilometre there are only 25 people, lower than the national average, and the land — a veritable Tower of Babel in terms of the indi-

genous languages spoken — varies from the fertile central part with its savannah valleys and the rich coastal area to barren scrub.

The superb regional museum in Oaxaca (the capital), which is part of the Santo Domingo monastery near the main square, puts you perfectly in the picture. According to the latest census in 1970, 20 per cent of the then 2m population spoke no Spanish. A million spoke Spanish, 600,000 Spanish and an Indian language like Zapotec, which was Juarez's first language, and the remaining 400,000 need an interpreter or sign language to be able to talk to their Spanish-speaking compatriots.

## Complex problem

The communication problem is compounded by the fact that unlike in the Yucatan, another indigenous area, where the majority speak Maya, in Oaxaca the 400,000 Indian speakers embrace as many as 15 indigenous tongues. Along with a further 1.2m Spanish-speaking people, they also live in isolated communities of less than 2,500 each, mainly in the sierra.

The Indian population, which is as large today as it was in the 16th century when Spain conquered Mexico, is thus doubly cut off — both by language and remoteness. In extreme cases neighbouring communities speaking different indigenous languages have come to blows because their problems could not be solved by a common language.

The museum displays the many brightly coloured costumes and jewellery which are still worn today and explains the religious and social habits of the indigenous groups. To leave the museum and walk a few blocks to the square is like entering an extension of the museum.

The square, probably the finest in Mexico, is Oaxaca's heart. In the centre, crowned with an ornate band stand, several small fountains and palm trees, there are dozens of shoe-shine boys. Seated on the white iron benches are Indian men and women — the women wearing the colourful sarape (a shawl) and with their jet black hair invariably plaited with ribbons; the men heavy leather sandals, white trousers and often a striped blanket slung across the shoulder.

Around the square, underneath the arches, there are shops and bars. Men, drunk on the local brew Mezcal, made from the agave plant, occasionally weave in and out

the metal bar tables; blind men, often led by barefooted, moon-faced children, beg; other children try to bargain with tourists over the sale of handicrafts.

The situation is alarming. The Government's own statistics spell out the drama of the imbalance between the rural and urban economies.

Whereas in 1970 57 per cent of the urban population earned over 1,000 pesos (\$80) a year, only 5.8 per cent of the larger rural population earned a similar pittance. The work force is small, probably no more than 25 per cent of the population, because with a 3 per cent population growth rate 45 per cent of the population is under the age of 14. This produces intense pressures on the labour market, all the more intense in Oaxaca for there are few job opportunities. Over 95 per cent of the population works in agriculture, fishing or mining.

In 1970 Mexico's National Nutrition Institute classified the food situation in Oaxaca as "bad." This is an understatement. Eighty-one per cent of the population in the State did not eat meat in that year; 73 per cent had no eggs, 74 per cent no milk and 80 per cent of children were reported to have first or second degree malnutrition. The tourist is unlikely to witness such poverty for himself because these poorly fed people, dependent on whatever crops the soil produces, live in tightly knit communities way off the beaten track.

In 1970 there were 1,672 hospital beds in the State of Oaxaca, less than one bed per 1,000 people. But as 41 per cent of the beds are in Oaxaca capital itself the distribution is very uneven — 3.7 beds per 1,000 people in the capital, at least seven times more than in the rural areas. Of the total 570 municipal areas, only 181 are accessible by paved roads.

The magnitude of the debt which the Government owes to Oaxaca is clear and it is beginning to be slowly repaid through investment in tourism and through some industrialisation in the area at Salina Cruz on the Pacific coast, which is one of the four development port areas.

Oaxaca, like the Yucatan, is dotted with pre-Columbian ruins. The most spectacular are at Monte Alban which was originally a Zapotec centre dating back as far as 1000 BC. To visit the sight and its magnificent view across the mountains is to imagine being on the rooftop of the world.

Local people often conceal themselves among the ruins at the number of tourists to Oaxaca has been steadily increasing. Last year there were 899,400, a 15 per cent increase over 1978, and they spent 1.3bn pesos (\$97.5m) compared to 1.1bn pesos (\$78.6m) in 1978. In 1979, 631 new hotel rooms were built at a cost of 328m pesos (\$14.5m) bringing the total to 3,500 rooms. There are 31 flights a week to Oaxaca.

The main emphasis on tourist development is in the central part around the capital and the coast from Puerto Escondido to Salina Cruz. Puerto Escondido, which is linked to Oaxaca by two flights a day, is rapidly being developed by Fonatur, the Government's financial agency for tourism.

William Chislett

## Ancient ruins among the wonders of the world

## THE YUCATAN

THE OLD and the new Mexico are juxtaposed in the Yucatan peninsula — the area forming the bottom rim of the Gulf of Mexico and is flanked on one side by the Caribbean.

More than any other part of this infinitely varied country, the Yucatan, in the form of the fabulous Mayan and Toltec ruins, reflects the glory of pre-Columbian Mexico. In complete contrast Cancun, on the Caribbean coast, is an ultra-modern showpiece resort and pointer to the tremendous growth potential of the Mexican tourism industry.

The peninsula — which comprises the States of the Yucatan, by far the largest with a population of about 1m, Quintana Roo (200,000) and Campeche (400,000) — but is generally known as the Yucatan, is the place for those wishing to steep themselves in history and to picture the richness of the ancient Indian civilisation which existed before the Spanish conquest destroyed it.

"If I may be permitted to say so, in the whole history of discoveries there is nothing to be compared with those here presented," wrote the archaeolo-

gist and explorer John Stephens in 1841 when he found the ruins. He may have been exaggerating, but few people who have visited the Mayan ruins at Uxmal and Chichen-Itza in Yucatan State would begrudge them a place among the wonders of the world.

The enormous and intricately carved pyramids, temples and palaces, harmoniously blended into jungle settings, bear witness to a brilliant civilisation which started around 600 BC and ended with the conquistadores.

In these areas little has changed since Mr. Stephens, accompanied by Mr. Catherwood, an exquisite illustrator, wrote his book, *Incidents of Travel in Yucatan*, before visiting the area to gauge for yourself how little rural Yucatan has changed since — both visually and in its way of life.

To this day Yucatecos — or Mayas as they proudly prefer to be called — still live in oval-shaped thatched huts with walls made of wood and mud. In these indigenous communities the Mayan language is still spoken; water — very scarce — is drawn from wells; people sleep in hammocks; the women wear the huipile, a smock with embroidered hem and neckline, the older men white shirts, skirts and broad-brimmed straw hats.

In appearance also, with their wide foreheads, pointed chins, prominent noses and short stature — a description which is not meant to belittle their distinguished features — modern Mayas are very similar to their ancestors.

To visit a lesser known ruin like Labna, where the ticket seller still lives in a thatched hut near the great palace, is to experience momentarily a strange sensation that time has stood still. From the top of the palace, a flat landscape, dense with forest, stretches as far as the eye can see. Not a single building obstructs the view except an occasional ruin and the only sounds are those of tropical birds like the black-throated oriole, whose song is a series of clear whistles varying in pitch.

Similarly, to wander off the beaten track at Chichen Itza along a footpath strewn with yellow oxcides for about half a mile, to the Temple of the Four Lintels — so called because of the horizontal crosspieces over the doors — and find a Mayan family closely examining the work of their ancestors gives flesh and bones to history.

## Not so easy

You need strong legs to climb the pyramids and anyone who suffers from vertigo should not attempt the 150 steps of the Pyramid of the Magician at Uxmal. It looks easy until you get to the top, which is crowned by a temple with delicate lattice work on the golden coloured stone; then you realise that you also have to get down. The 46-degree descent looks a lot steeper from the top than from the bottom.

For the terrified, like myself, there is a chain running down one side of the pyramid and you grip on to it as you slowly descend backwards. "Don't look up, don't look down, just look at the step," a middle-aged American lady exhorted me in a piercing Brooklyn accent as I began the climb down. She had just come up the other side of the pyramid, which is a 60 and not 46-degree climb, and her knees were shaking.

The Yucatan, despite encroaching modern civilisation and closer links with the outside world (the area was not linked by rail to the rest of Mexico until the 1950s) still looks and feels very different. It was an air of independence which the Spaniards discovered with a shock and which still persists to this day.

It was not until 1542 that the Yucatan was fully under Spanish control — 31 years after Cortez had subdued what is today Mexico City. Don Francisco de Montejo was given a royal grant to conquer the "island" of Yucatan, for the Spaniards believed it was a separate country. His house, said to be the oldest private building on the continent, looks on to the Zocalo, the main square in Merida, and is open

to the public.

The Yucatan was not very involved in the major movements in Mexico — independence from Spain in 1821 and the revolution of 1910 — and there have been several attempts at achieving a separate status from the rest of Mexico.

Two independent factors, however, are now changing the atmosphere of mistrust between the Yucatan and Mexico City and the feeling on the part of the central government has neglected the peninsula for too long.

These are the oil in the Bay of Campeche, which only came on stream last July and is said by Pemex, the State oil monopoly, to contain the largest offshore reserves in the world, and the tourism potential of the Yucatan.

The oil is having a strong impact on the local economy of the State of Campeche. The Island of Carmen, where Pemex has established its offshore headquarters, is bursting at the seams with oil engineers. Hotel accommodation on the tiny island, which until the onslaught of the oil was a quiet tropical backwater dependent on shrimp-fishing for its livelihood, can nowhere near match demand.

The situation was greatly aggravated by the blowout at the Ixtoc well. It exploded last June and initially spewed into the Gulf 30,000 barrels of oil daily, some of which reached beaches in Texas. The flow was gradually reduced.

The Ixtoc disaster has raised fears that the ecological damage from the oil could be substantial, although this has yet to be substantiated. Ixtoc has produced a tourist spin-off to the extent that some visitors to the Yucatan have been heading for the Island of Carmen to try to get a glimpse of the oil spill. It is a long drive and involves crossing three rivers by ferry.

Tourism is more important than the oil for the people of the Yucatan: in an area with widespread unemployment and underemployment it is a much-needed labour-intensive industry. Basically the Gulf coast of the Yucatan peninsula is being given over to oil and the traditional fishing industry, the ruins in the centre part are being capitalised upon as a tourist attraction, without spoiling their surroundings, and the Caribbean coast is being exploited for new resorts.

Apart from fishing, the great bulk of the poor in the Yucatan State depend on sisal-growing for their livelihood. The soil is so arid and limestone so near the surface that little else will grow. Mill after mill of the green plant, a member of the cactus family, line the roads. But the sisal industry, in which the Yucatan State has been among the world's main producers, is steadily going into decline.

Last year production in this State dropped by 10 per cent over 1978 to 70,000 tonnes compared with 117,000 in 1970. Synthetic fibres are presenting strong competition and people are also quitting the tough job of cutting the plant with a machete in the blazing sun for an easier and better-paid job elsewhere.

In the Yucatan State 5,500 people work in the sisal industry, mostly managing their own small plots, and they earn on average no more than 800 pesos (\$27) a month. Based on an average family size of five, 27,500 people depend on the prickly plant.

The Government has to give an annual subsidy to its sisal company Cordemex of 1bn pesos (\$45.4m), for it cannot afford the social consequences of shutting down the industry. "To do this would invite revolution," a planning official in the Yucatan State Government told me.

Tourism is the answer to many of the Yucatan's problems and nationally no other area apart from Baja California Sur has such potential. The pilot scheme at Cancun is developing very quickly.

When the Cancun project was first discussed in 1970 there were, according to a study made by the Ministry of Tourism, exactly 121 people living at Puerto Juarez just up the coast from what is today Cancun. Today there are 40,000.



## Hotel plans speeded up

TOURISM in Mexico is enjoying a period of unprecedented expansion, but some industry officials wonder if the country is ready for the growth.

Last year 4.1m foreigners visited Mexico, mostly from the U.S. The number of foreign visitors is expected to more than double by 1985 to 8.5m. By the year 2000 the figure could be as high as 18.5m.

A similar growth is expected in the number of Mexicans taking holidays within the country. Last year there were about 37m local tourists, and the Government anticipates there will be more than 50m a year by 1985.

The country is already straining to meet the tourist demand and, while it is dramatically improving its infrastructure, it is to be ready for the flood of new visitors.

Mexico City, which has the tightest hotel market in the country, averaged an 85 per cent occupancy rate in 1979 for first class rooms. The occupancy rate had increased to 87 per cent during the first quarter of 1980.

In order to meet the growing demand, the National Tourism Plan sets a goal of constructing 75,000 new hotel rooms between now and 1982. This is about twice the number built in 1977-1979. There are around 232,000 hotel rooms in Mexico at the moment.

One sixth of all the new hotels will be built in the Mexico City area. Acapulco and the Yucatan peninsula are also targets for major developments.

The largest new hotel under construction is the Holiday Inn Caballito, an 800m peso (\$35m) project in Mexico City. The 840-room hotel is scheduled to be completed early in 1982.

A larger hotel has been under construction in the capital for years, but it can no longer be considered a "new" project — this is the 1,500-room Hotel de Mexico, a 35-storey mountain of glass and concrete, looming over the south side of the capital. It was initially scheduled to open

for the 1968 Olympic Games in Mexico City. Each year the management promises it will open soon, but money problems have repeatedly halted work.

In Acapulco, Japan's Mitsui Corporation has completed preliminary studies on a \$1.1bn hotel complex which would be built on the site of the existing Ixcas Naval Base. The military base is being moved, thus freeing prime beachfront property in Acapulco harbour.

Mitsui, in a joint venture with the Guerrero State Government, hopes to build a 1,800-room hotel, a 500-room de-luxe lodge, 1,000 apartments and a shopping centre.

## Traditional system

The title to the property would be held in a 30-year trust, the traditional instrument used for foreign investment in tourism.

Less grandiose projects are planned by several major U.S. hotel chains, which generally act as partners with Mexican firms or operate hotels on management contracts.

The American companies have been credited with bringing a high degree of quality control to the Mexican hotel industry. In addition to applying strict operation guidelines, the U.S. companies also have served as a training ground for many Mexican executives who later have started their own hotel businesses with the same form of quality control.

With the explosive growth of the tourism industry, the Government is under pressure to improve its system of quality control. In addition to its long-standing programme of regularly inspecting hotels, the Tourism Ministry started a training scheme in April to teach new workers in the industry how to provide better service.

But despite the challenges facing the industry, Mexican hotels still are able to offer relatively good service at a reasonable price.

Mark Faziollah



The success of the annual Guadalupe Festival attracts dancers and arts groups from many countries. Above: A Mexican folk dancer

## Festival is now a major attraction

VISITORS TO Mexico, in search of culture and pleasant surroundings, would be well advised to consider visiting the exquisite colonial city of Guanajuato in May when the Cervantino Festival is held.

The festival has quickly grown in stature since it was started, eight years ago. This year there were 52 different events from 24 countries in the space of three weeks, ranging from the New York City Opera to the Cuban National Ballet.

There are few more inspired settings for a festival than Guanajuato, which stands in a narrow gorge, overlooked by mountains, some of which were extensively mined for silver by the Spanish Conquistadores.

Winding, cobbled streets, squares shaded by Indian laurels, houses and churches dating from the sixteenth century are all else, the fine Teatro Juarez, with its Doric columns, all conjure up a rarefied atmosphere.

Hotel space is limited as are the number of festival seats so an early booking is needed. The festival is now advertised in the U.S. and Europe and it is possible to book for the festival through travel agencies.

This year, the festival organisers extended the last started last year, of holding free events in the Alameda.

de Gramadita. This is in response to accusation that the festival was becoming "too elitist" and that audiences were predominantly Government officials with free tickets.

The Alameda was originally a granary. Later, it was turned into a fortress where the heads of four of the country's leaders of the independence movement from Spain were publicly displayed for ten years.

Several thousand people cram into the specially constructed open air theatre by the side of the Alameda. The only disadvantage is that artists are at the mercy of the weather. The Mexican Flamenco dancer Pilar Rojas has to abandon her vibrant dances because she found the stage too slippery when the rain fell.

Guanajuato is about a three-hour drive from Mexico City. The State of the same name hosts many other colonial jewels. San Miguel de Allende has a beautiful square, crowned by a church with a Gothic tower. And at Dolores Hidalgo you can see the church from where Father Miguel Hidalgo gave the famous "shot of independence" from Spain. His home is now a museum.

A new airport, being built near Guanajuato, is scheduled to be in operation by the end of 1981.

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مكتبة المجلد











## THE ARTS

## Venice Biennale by WILLIAM PACKER

The Serenissima hardly needs more than herself to induce the visitor first to come to her and then to return at the slightest prompting; and yet the Biennale, that unique, maddening and generous celebration of Modern Art, remains as ever among the best of excuses. And indeed it is the generosity of the Venetians themselves, who pay for it, who have filled their Giardini Pubblici with national pavilions that lie unused for 20 months of every 24, who put important historic buildings at its disposal, that makes it so. That the Biennale should happen at all, and with such insistent regularity, is remarkable — and in Venice, of all places.

But then a moment's reflection suggests that such thankful surprise is perhaps misplaced, that Venice after all might be the right, the perfect place for exactly this exercise. For the truth, which is so obvious that in our sad age it bears constant reiteration, is that Art is nothing if it is not alive.

Put another way, good Art of whatever age does not die: the vitality of the new is sustained by the continuing vigour of the old, and he would be a poor kind of man, whether artist or critic, scholar or amateur, who would deny the connection. Techniques and preoccupations change, of course, and the superficial differences are sometimes so extreme that the more thoughtful or the more indifferently prejudiced might well be surprised at the suggestion that some of the things can ever have anything to do with Art as they understand it. And of course every age produces much that is worthless and meretricious. But the important thing to understand is that Art is never to be sealed hermetically into convenient boxes — the work, as always, goes on.

Which is precisely the point that Venice, who has given so many marvels to the world in the past, celebrates so regularly with such instinctive understanding and enthusiasm. This year, for example, it is only a few yards around the corner from Balhaus' paintings at the Scuola San Giovanni Evangelista to the great church of the Frari, and so to Titian and Bellini; or, across the city, from the Bordeaux Experiment at San Lorenzo to the Caraccioli in the Scuola San Giorgio. Always, she allows us the natural opportunity to move easily from past to present, to accept the great works of the past as a lively element in present experience, and with the Biennale to look to the future. Only physically do we turn our

backs on the Redentore as we dive into the Salt Warehouses on the Zattere, or on Venice herself as we walk under the trees into the Gardens.

In a year when the Biennale might reasonably be thought a little disappointing and even confused, certainly quieter than usual, less hectic and controversial, it is perhaps worth taking the time to make these general points. Even at its quietest, Venice's Biennale remains one of the most important, significant, useful events in the international cultural calendar.

By great good luck, I suspect, rather than design, but equally to our great credit, the British presence at the Biennale has always been strong, sometimes even dominant, with the British Pavilion on its hill-top quite the prettiest of them all, and quite as clearly in the best spot as though to say, with a tactful clearing of the throat, that at least within the Giardini Pubblici we are indeed Top Nation still.

The British Council on our behalf makes its dispositions with an admirably stylish professionalism, to the signal advantage of those of our artists it chooses to show: but in times when other countries' delegations were reinforced by a marked diplomatic presence, it has been left conspicuously to shift for itself. This year, however, the Consul remained in residence, the Ambassador arrived from Rome, and the first official British reception for the Biennale for many years, held on the Consulate terrace high above the Grand Canal, proved to be the most successful of the week: which can have done us no harm at all. The Diplomatic Service has less to fear from Modern Art than it might suppose. Incidentally, for those who savour such ironies, the Russian boycott of these cultural, if no longer competitive Olympics continues, some 10 years after the dissident art project that provoked it.

The general theme given to this Biennale is "The Art of the Seventies," which is fair enough; and as usual only the large central exhibition, put together by an international committee, pays much attention to it. For the rest, each contributing nation does as it likes, the catch-all title elasticity itself, leaving each individual show to be taken solely on the merits of the work it offers.

Austria, for example, has decided that the emergence of feminism as a social force was of most significance, and thus even its pavilion over to Maria Lasswell, whose paintings, films and photographs with insistent



Large carved figure by Georg Baselitz in the German Pavilion

self-regard turn on the feminine condition, Canada, on the other hand, having supported a group of artists in the experimental use of video over the past several years, has chosen this moment to collate and assess their collective achievement. Australia goes for installation and performance art, jokey, whimsical and visceral by turns, work certainly characteristic of the times, but no more representative than the refined sculpture it showed two years ago.

Many countries simply show the painting and sculpture they have to hand and currently favour, more or less interesting as the case may be; and indeed there are many very good things — a group of Hill paintings by Horea Bernea, for example, amidst the middle of the Romanian Pavilion (he showed another set of them at House in London recently); and a remarkably powerful and very beautiful set of etchings by Jiri Anderle of Czechoslovakia.

And the Americans keep their heads down by sending a quiet and tasteful ready-made package of recent drawings by established and emergent artists, from Christo, Stella and Le Witt to Kushner, Zucker and Zak-nitch, 86 of them in all. Called "The Pluralist Decade," which can mean what you like, it holds many excellent things, and, with a little curatorial

nerve, a very strong show could have been plucked from among its contributors. Joel Shapiro (who showed lately at White-chapel), Susan Rothberg and the adored Robert Kushner were for my own snap selection.

For it becomes clearer with each Biennale that whatever the arguments and doubts might be about any particular choice, the trick of establishing a real presence in such a throng is to keep it simple, and then to stand confidently on the decision. It really is no accident that this year the best Pavilions are the Dutch (with one artist — Ger van Elk), the Polish (Magdalena Abakanowicz), the German (Georg Baselitz and Anselm Kiefer) and the British (Tim Head and Nicholas Pope). Indeed the German is the largest and most imposing national pavilion, and yet its huge central space is given to a single work by Baselitz, an extraordinary and powerful carving of a large, precariously leaning, seated doll-like figure, for me the most memorable single image in the Gardens.

Miss Abakanowicz is also a sculptor, building form by binding thread into balls and spools that range from the tiny to the huge. These she has heaped into great piles, stranded like rocks on a dark, dry beach inside the dark pavilion, unexpectedly suggestive and mysterious objects.

All these artists deserve more than this passing mention, and I intend also to return in some

detail to the two Englishmen, Head and Pope, who in the event make a gratifyingly impressive showing. I felt in advance of the Biennale that whatever the merits of their work, and they are many, given the theme, they were hardly representative of the range of activity in this country. That said, I would now add that in practice the British Council's decision to show them is certainly justifiable, largely for the reasons rehearsed above. Tim Head's teasing installations, projected illusions confounding the physical reality they themselves represent, are as good as anything I have seen him do; and if it is not the most powerful, certainly Nicholas Pope's wooden hedge winding through the entrance gallery, made up of a gross or more of variegated wooden posts, is the most elegant and witty sculpture of the entire festival.

The large international exhibition, too, is too important, for all its faults, to be dismissed in a phrase, and I shall return to it and to its cadet, "The Art of the Eighties" that fills the Salt Warehouses on the Zattere. And there is the Balhaus exhibition in San Giovanni Evangelista, the best of all the Biennale's offerings yet somewhat hors d'oeuvre, an appropriate tribute to the best as he is certainly the most enigmatic painter of the figure working today.

The Biennale continues until the end of September.

## Liège Opera Festival (2)

## The Hero by RONALD CRICHTON

Both Brussels and Antwerp were represented at the Liège Festival, part of the city's millennium celebrations. Brussels sent La Monnaie's new production of Menotti's *The Hero*, not previously seen in Europe. This strip-cartoon allegory about the Great American Dream was reviewed on this page by Andrew Porter after the 1976 premiere at Philadelphia. I found it funny but entertaining, with the theatrical *Cyano de Bergerac* seen two days previously. The idiom is the usual magpie mixture, deftly handled. Sometimes the degree of eclecticism is almost breathtaking — not many composers would cap, as Menotti does at the close of *The Hero*, a dollop of *Rosenkavalier* with a pinch of *The Rake's Progress*.

Menotti in light vein is, for me, preferable to Menotti mawkish (as in *Maria Golotta*, seen not long ago at the Camden Festival). The hero of the newer piece is an average small-town American called David Murphy who becomes famous by falling asleep for 10 years. Unfortunately he wakes up just before the town is due to inaugurate a memorial to him. It is in everyone's interest (except that of his faithful nurse Barbara) to persuade him to sleep again — the town is coining money out of tourists and his dreadful wife Mildred has her own reasons for enjoying her predicament. David consents, or pretends to, but returns even more inopportunely to life at the inauguration ceremony.

Both production, by the composer himself, and musical per-

formance were adept enough to skate over some thin ice. The leading roles of David and his loving Barbara were in the safe hands of two expert American singers, soprano Nancy Shade and baritone Julian Patrick. The doctor and the mayor, both corrupt, were taken by artists familiar to London opera audiences — Graeme Matheson-Bruce and Eric Garrett. Ira d'Arès was the deplorable wife, Christian Bades conducted with a seat and snappiness that almost persuaded one there was a shot of lemon juice in the treacle.

Landowski's *Opéra de pous-sière*, first given in 1962 at Avignon, is written for small forces with an orchestra of a dozen or so and tape. It was staged at Liège in the cultural centre "Les Chiroux." A Young Vic-type auditorium with the instruments at the back and the singers uncomfortably near the audience. The style is a shade less conservative than *Cyano de Bergerac* but has dated badly. Oddly enough Landowski falls frequently into that slow, all-purpose arioso which one suspects to be an English operatic sickness. The production of Antoine Vanderweylen, uncertainly balanced between realism and stylisation, did not help much. Of the singers only Marc Vento (as Patrice, a young composer whose new opera is only successfully produced after he has lost his girl and killed himself) seemed at ease in his role.

Antwerp's *Idomeneo* was chiefly remarkable for the large part played by the Royal Flemish Opera's ballet. In Britain we are so accustomed to

producers skimping the important dance element woven by Mozart into his rich fabric that it was a shock to find not too little dance but too much — not only where dancing or miming is required but insinuated into leaving before the last act, although curious to see whether they would include the big showpiece at the end, as one stalwart member of the audience later assured me they did. Apart from Nico Boer, an accomplished Dutch tenor who made the long-suffering Idomeneo seem unusually purposeful, the performance generally fell below festival standard. The towering quality of the music was blunted.

The festival was designed to show what is going on not only at Liège but in the country as a whole — an aim different from but no less worthy than the collection of a bunch of expensive stars to give smoothly luxurious performances under luxurious conditions. The productions seen at Liège are moving round Belgium, a small country with sharp contrasts, not least of language, which affect opera in ways strange to us. Chono, written and performed in French, drew a large and friendly house at Liège while in Flemish Antwerp, I was told, the house though again friendly was small. *The Hero*, hardly in English (which would hardly matter in Brussels where the production originated) was sparsely attended at Liège and thought difficult. At every performance, however, large or small the audience, there was a feeling of lively interest.

## Elizabeth Hall

## Pierre-Laurent Aimard

Since he won the Olivier Messiaen Competition in La Rochelle in 1973 at the age of only 16, Pierre-Laurent Aimard is one of those who have impressed me most among the very young generation of French pianists. He opened his recital on Sunday afternoon with an incisive and superbly controlled account of the best of the piano sonata — expertly shaped and scrupulously observed, lacking as yet only the dramatic breadth and pointing that will give it really convincing individual voice.

It was a telling idea to contrast early Beethoven (pupil of Messiaen and Liszt) with Debussy's *Images* — if only to underline the textual affinities (a more "breathing" perform-

ance of the sonata would have emphasised them still more). Aimard is an exceptionally urbane and cultivated view of Debussy: faultless control of texture and voicing in "Reflets dans l'eau," and of the dapple and ripple of light in "Mouvement." I am doubtful of the correctness of his very sonorous pedalling of even the opening octave statement of "Homage à Rameau": but the effect, organ-like in a church acoustic, was unusual and rather beautiful.

Aimard's second half was all Beethoven. The opening con-

trast early Beethoven (pupil of Messiaen and Liszt) with Debussy's *Images* — if only to underline the textual affinities (a more "breathing" perform-

DOMINIC GILL

## Metropolitan Opera House, New York

## Makarova's Bayadère by CLEMENT CRISP

Marina Petipa created *La Bayadère* in 1877. Set in legendary India, it was characteristic of its time in opulence of means — four acts crammed with dance and mime unfolded in a tale rich in spectacular effects but uncharacteristically serious, attuned to darker, Dostoyevskian themes of crime and retribution than were usual in the ballet of its period.

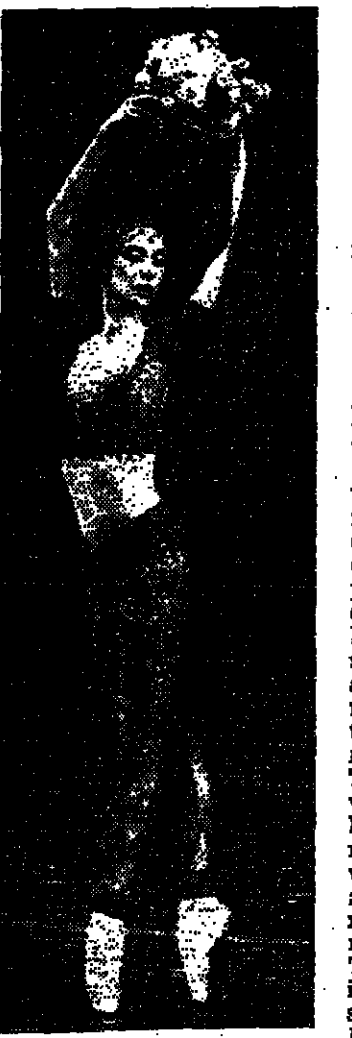
Baldly, its narrative tells of Nikiya, a temple dancer, sworn to the service of the gods, whose beauty excites the passions of the Chief Brahmin of a temple. But Solor, a warrior, loves her, and she returns his love. In the first act Nikiya rejects the Chief Brahmin; Solor, returning from a hunt, swears his love for Nikiya over a sacred fire, but their meeting is witnessed by the Brahmin. The second scene takes place in a palace where a Rajah proposes marrying his daughter, Gamsatti, to Solor. Gamsatti, shown a portrait of Solor, falls in love with him; Solor, seeing Gamsatti for the first time, is attracted by her beauty. The Brahmin, wishing to be rid of Solor as a rival, tells the Rajah of the warrior's love for Nikiya, and Gamsatti learns of this from her servant. But instead of Solor's being disgraced, the Rajah determines that Nikiya shall die. In one of the most celebrated mime scenes in all ballet Gamsatti summons Nikiya to the palace and tries to buy her off. Nikiya seizes a dagger and makes as if to stab Gamsatti, before rushing away, appalled at her own actions.

At the second act betrothal festivities of Gamsatti and Solor (which once displayed 230 dancers in a procession, and today in Leningrad include a tremendous property elephant) a divertissement culminates in a famous grand pas for Gamsatti and Solor. Nikiya is summoned to entertain the guests in her role as *bayadère*. She is offered a basket of flowers, seemingly from Solor, but in fact prepared by Gamsatti's servant. A poisonous snake concealed within the flowers bites her. The Brahmin offers an antidote if Nikiya will accept his love. Nikiya, seeing Gamsatti with Solor, refuses, and dies.

In the third act the distraught Solor smokes opium. In his dream he descends to the Kingdom of the Shades and there sees Nikiya again: this is the great symphonic dance movement that has been known in the West since the Kirov Ballet's appearance in London in 1961. In the fourth and final act, Gamsatti and Solor are to be married in a temple. The

shade of Nikiya constantly interposes herself between them. As the Brahmin prepares to marry Solor and Gamsatti, celestial vengeance strikes. The temple is destroyed, and all in it is killed. In an apotheosis Nikiya and Solor are seen in a world of eternal bliss.

*La Bayadère* has always been recognised in Russia as one of Petipa's finest works, and the role of Nikiya has been honoured since its creation by Yekaterina Vazem. (The role of Solor was originally mimed by Lev Ivanov and danced in the pos d'action of Act 2 by Pavel Gerd; Maria Gorshenkova was the first Gamsatti; Christian Johansen the Rajah.) After Vazem's retirement the ballet was often performed until Petipa revised it for Mathilde Kshessinskaya in 1900; two years later Anna Pavlova won huge acclaim as Nikiya. But after the Revolution in 1917 the production was much altered. The Leningrad ballet-master Fyodor Lopukhov records her last act was suppressed for want of suitable forces and



Natsyia Makarova

machinery, and further major revisions were made by Vakhtang Chabukiani, a celebrated Solor, in the late 1930s. It was he who recast many of the choreographic incidents, putting back the wedding to Act 2, and giving the piece the shape it has today. The recent valuable showing on BBC TV of the Kirov staging revealed both the grandeur of the Leningrad manner in performing *La Bayadère*, and the present inconclusive and muddled narrative structure which offers the Kingdom of the Shades as the final scene.

I have gone into some detail about the history of the ballet since it highlights the exceptional achievement of Natsyia Makarova who has now staged it for American Ballet Theatre in New York. The production is of capital importance. Not only is it the first full-length presentation of *La Bayadère* in the West, but Makarova has returned to Petipa's original dramatic scheme. She has edited and pruned the current Leningrad text, which she knew as a performer, and by skilled restoration and re-plotting of incident has produced a long and fascinating first act which takes the action up to the death of Nikiya. The staging of the Shades scene, which she made for ABT in 1974, is now the second act, and she has recreated Petipa's original dramatic climax — the temple's collapse upon the wedding — as her third act, inventing choreographic incident and transposing an existing lotus dance, using much of the correct Minkus music. The result, for the first time in 60 years, is the ballet d'action that Petipa intended. It is compellingly good, a grandiose, cogent display-piece for a major company.

Too often in the West we view Petipa as a purveyor — none better — of "classical" dancing. This is a perversion of the truth. Every contemporary testimony speaks of his dramatic genius. Any study of his ballets, and of their scenarios, will show that they are complex dance-dramas far nearer Meyerling in manner than the bleached tutu-displays now associated with his name. The "gems from the classics" view of Petipa is one imposed by the stylistic inadequacies of most companies who show his work in the West, and by the absence of a dance-acting and mimetic tradition like that so richly present in Leningrad. That Petipa's choreographic inventions are gloriously preserved in the Shades scene of *Bayadère* or in the variations of *Sleeping Beauty* does not

expunge the fact that the Shades is only part — a vital, danced contrast — in a larger dramatic scheme, or that Western stagings of *Beauty* are enfeebled dramatic ghosts. (We should recall the liveliness of drama in the Kirov presentation.)

Thus Makarova, by reasserting something, and it is a large something — of what Petipa created, has rehabilitated his genius. In the process she has given ABT a luscious spectacle, and one uniquely its own. The contrast and pacing of incident, the varied textures of character and classic dance interwoven with gestural and mime passages, propound an essential fact about Petipa's theatrical energy. The great moments — the interview between Gamsatti and Nikiya, the bravura grand pas d'action, Nikiya's death, the Shades scene, and the mysterious, doomed wedding (uneasy, hallucinatory) are admirably conceived. In setting out the drama, Makarova has been superbly aided by her designer, Pierluigi Samaritani, who is entirely in sympathy with the decorative manner needed for the 19th century repertory. The Kirov production, as was seen on television, offers most beautiful designs, which date from the turn of the century. Samaritani's work is no less impressive, exquisite in detail, bold in scope, meticulous in craft. (It is no secret that the backcloths were painted in Italy by artists still able to execute the trompe-l'œil manner of 19th century design. The geographically intense perspective of landscape in which Solor and Gamsatti are betrothed, a final temple setting which evokes Sanguirico, are triumphs of imagination and execution. The only drawbacks to the production are the vulgarisations which mar John Lanchbery's arrangement of Minkus' by no means inconsiderable score.)

For ABT's artists the ballet presents challenges which they make every effort to meet. At each of the three performances I saw, the corps de ballet was fine in the Shades scene. The presence of Alexander Minz, lately of the Kirov, brought proper weight to the role of the Brahmin. About Makarova's own luminous portrayal of Nikiya, and Anthony Dowell as Solor, as about other casting, I shall hope to report later, for this *Bayadère* is an example of what respect, love and stylistic understanding can do in reviving an old masterpiece to give it new and admirable theatrical life.

## Cecil Sharp House

## The Watsons

The English Folk Dance and Song Society celebrated the 50th anniversary of its headquarters, Cecil Sharp House, last weekend with the kind of wholesome entertainment which makes folk music so endearing. The tradition is respected in the nicest possible way — with real ale and home cooking, with a saucy boy scoutish attitude to life, which shows itself in smiles and seriousness, but also with a broadminded blessing to the development of folk. Accept the tradition and you can amplify away like mad.

Before the Morris workshops and the ceilidh, the browsing through the film archives and the folk-in, there was a concert which showed that in variety there is strength. It could not have begun more appropriately than with the Coppers from Sussex, a young trio from the family which provided Cecil Sharp with some of his early songs almost a century ago: in fact the Coppers began with the first song Sharp ever wrote down, "Clady Banks." After the unaccom-

panied, unsophisticated nourishing of the roots it was on to Martin Carthy's amplified guitar — odd to think that the guitar, now so endemic in the folk clubs, is quite alien to the tradition — with John Kirkpatrick's agreeable accordion and a trumpet, which added an appropriately medieval feel to songs which certainly stretch life far back and beyond.

Finally, of course, there were the Watsons who for almost 20 years have dominated the folk scene whether they were working or not. Brother and two sisters from Hull of Irish gypsy stock they now sing with Norma Watson. Unaccompanied songs drawn from the cycle of country life — vasaills, sheep shearing, ploughing — their extraordinary voices blend as toughly as ever. Perhaps they are not quite such perfectionists in achieving the sound but the Watsons in harmony remain one of the most thrilling experiences not only in folk but in any contemporary music.

ANTHONY THORNCROFT

## Riverside Studios

## CCMC by DAVID MURRAY

The CCMC — "Canadian Creative Music Collective" — is a free improvisation group. Of its four members on the European tour just completed, Michael Snow is better known as an experimental film maker, but he proves to have had a solid professional jazz background as a trumpeter. The special territory that the group explores is tangential both to free jazz and to the sober, elevated realms in which Stockhausen's improvisers take flight. The CCMC is as electronically extended as anybody, but they play creatively with a jollier range of sound — fed through the equipment, many an unlikely object discloses an engaging resonance — and they are not above inconspicuously comic props (wind-up toys and plastic weaponry).

What is aimed at is a sort of unpremeditated stream of crypto-musical events, conviction blowing where it listeth. On Sunday the four players were only rarely involved all at once to the same degree; more often the burden was carried by one or two members, with sound-comments by the others — though the most exciting passages were certainly those that engaged the full quartet, not usually on their main conventional instruments

(piano, synthesizer, trumpet, sax and bass). Solo flights on the trad instruments tended to slip into under-organised jazz (and Allan Matt's jazz bass was heavily relied upon, when ideas ran thin, to supply continuity in a soft, oleaginous mutter). The CCMC has a nice line in echoing brittle riffs in the alarming-to-dogs register with instant *musique concrète* from their non-canonical noise-makers. For much of the first half, the Studios were filled with sounds that gave delight and hurt not.

Alas, free-fall inspiration is a fickle muse. After some sprightly excursions earlier, the pianist Casey Sokol settled into the mien of someone who with the utmost good will had simply forgotten what he came for. Throughout the second half he failed to remember, and contributed only a thoughtfully spun humming top and a prolonged sad smile to the proceedings. By then Nobuo Kubota, a manic elf, had got bored with his saxophones and run through all his toys. The performance declined into faded memories from the cocktail lounge, which failed to re-enlist Mr. Sokol. At its best, this is a happy and rewarding game, and the CCMC style is neatly calculated to seize ears trained in almost any direction.

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## The return of Roy Jenkins

MR. ROY JENKINS still strikes a chord in British politics. There can be few, if any, British politicians who can arouse such a sense of expectation merely by promising to make a speech. As a distinguished historian, a liberal Home Secretary and a successful Chancellor of the Exchequer, he has represented all that is best, fair and decent in the British tradition. He can also claim other achievements. It was Mr. Jenkins, as President of the Brussels Commission, who called for the creation of a European Monetary System when hardly anyone else gave the idea a chance. It is not surprising that when he speaks about British politics with the air of a man about to return there should be an unusual readiness to listen.

## Fourth party

It is also true that British politics today look potentially fluid. There is an expectation of a Liberal revival which could be more powerful, and from a stronger base, than under previous Conservative governments. Even if the Liberals are still a one-man band, the quarrelling in the Labour Party has broken out again to the point where Dr. David Owen, Mr. William Rodgers and Mrs. Shirley Williams have threatened to leave if the Party commits itself to withdrawal from Europe. Even in the Tory Party there are rumblings of discontent between those who prefer the more permissive approach of the past to the apparent rigidities of Mrs. Thatcher. There are elements in all three parties with which Mr. Jenkins could be at home, and which could be at home with Mr. Jenkins.

Mr. Jenkins, however, has now gone further and raised the possibility of a fourth party. As a basis for discussion of realignment, he said yesterday, "It is inadequate to have two and a half parties, one labelled Conservative, the next Labour, the third Liberal... We must think much more in terms of untapped and unlabelled quantities."

It is difficult to see that remark as any more, or any less, than a tactical ploy. It is, of course, possible for someone outside the conventional parties to win election to Parliament, as Mr. Dick Taverne has shown, but it is much harder to stay there. It is also possible to imagine financial backers for a fourth party under Mr. Jenkins's

banner, but harder to imagine any widespread body of sustained electoral support. Mr. Jenkins could conceivably win a by-election in his own right, at the right time and in the right place, but that is not the same as establishing a lasting fourth party.

## Tactics

The conclusion must be that Mr. Jenkins is looking for allies. At the moment he has committed himself to nothing, save perhaps the cause of electoral reform. He is right to play it that way. The party to which he aspires could be called Liberal, Social Democrat, or both, and might be less of a party than an electoral alliance. He is becoming a tantalising presence.

How far he gets when he returns from Brussels at the beginning of next year will depend partly on events largely outside his control and partly on how well he develops the argument for change. The argument so far is attractive without being convincing. It assumes that the country could be more efficiently and humanely run by a group of people of good will from something called the "radical centre" of British politics: the "radical centre" has not yet been properly defined. It is no less arguable, however, that it is just that kind of consensus by which Britain has been governed for the last 20 years or so. Certainly that would be the argument from Mrs. Thatcher on the right and from Mr. Anthony Wedgwood Benn on the left. Mrs. Thatcher's challenge to the old order needs time to prove itself, or otherwise.

## Liberals

If Mrs. Thatcher falls or if the Labour Party breaks up (there are all too many "ifs"), Mr. Jenkins may have his chance. But neither the complete failure of the Tories nor the complete break-up of the Labour Party seems particularly likely during the present Parliament. The most probable circumstances for a realignment of British politics would come about if Labour were to lose the next general election. Mr. Jenkins is unlikely to be able to win a David Owen or a William Rodgers to a new political grouping. His more immediate opportunity lies with the Liberals, as Mr. David Steel, the Liberal leader, is already aware.

## A missing link in recycling

THE BLEAK anti-inflationary consensus is powerfully expressed in the annual report of the Bank for International Settlements, but with one important difference. In the pithy prose which has always distinguished this from other international economic reports, the BIS concludes bluntly that there is no escape from the prospect of tight money and slow growth throughout the developed world. The underlying inflationary pressures which have brought us to this dismal cul-de-sac in policy have been building up for years, and will probably take almost as long to abate; until then, every effort at stimulation will quickly short-circuit itself through higher prices.

## Energy shock

So far, the report could be taken as a text by any central banker giving a public speech; but the BIS has one extra point to make, which deserves to be made even more strongly. It is this: The energy shock, which has done more than anything else to exacerbate inflation, can only be met if we keep a tight rein on real incomes and general credit; but it does not demand the reduction in investment which might be expected in such circumstances.

On the contrary, the violent change in the structure of costs which we have suffered opens an opportunity for rewarding investment in energy itself, and in energy saving. The development of the North Sea and the re-equipment of the U.S. motor industry are striking examples. This need to invest for the long-term holds out the best hope, in the BIS view, that financial austerity may be imposed without resulting in a true slump, with unacceptable costs in unemployment and lost output. This is a most important insight. The need to make resources available for investment is a familiar problem; what is painful in the present cycle is that the investment is not needed to add to available output, but simply to get back to square one. It is in fact a kind of internal recycling needed to adapt our economies to the era of high-cost energy which set in seven years ago. Unfortunately, the authors of the BIS report seem to have forgotten the importance of their own insight when they come to discuss the other major problem resulting from the energy crisis: the management of the large and persistent surpluses being earned by the oil producers.

Here the observations of the BIS are entirely conventional. The oil price will not fall in real terms, because the producers have learned from inflationary experience to protect it. The developed countries, however, will carry a smaller share of the corresponding deficit, because of their austere policies. This will pose problems in financing the deficits of weaker, developing countries; and since the banking system is already overloaded with sovereign debt, this will require a bigger role for official finance, and notably from the IMF.

This again reads like a general-purpose speaking draft for central bankers, but it is not impressive, and indeed is not even consistent with the hope that the energy crisis will accelerate some kinds of investment in the developed world. It is true that the investment theme does re-appear: the BIS rightly urges that renewed efforts should be made to foster real investment in the developing countries, notably in the production of natural resources. This is true, but almost irrelevant in the context of funds on the scale of the OPEC surpluses. The basic proposition remains that the developing countries should borrow from international institutions, and that the IMF, but almost irrelevant in the context of funds on the scale of the OPEC surpluses.

Real investment

The fact is that if the developed countries need to make large real investments despite financial austerity, and the OPEC surplus countries require real assets, then both sides of the recycling problem can be seen. The essential problem is to devise trustworthy assets, without the need to pay usurious rates of real interest (always a danger in the deflationary stage of the cycle) through which OPEC funds can finance the large real investments needed in the developed world. Real investment, not deficit financing, is the only long-term answer.

## American textile makers discover the world

BY RHYS DAVID, TEXTILES CORRESPONDENT

THE U.S. textile industry after years of concentrating on the domestic market has suddenly woken up to the vast potential for increasing total sales through a vigorous attack overseas.

In consequence textile salesmen from the established exporters of Europe and Asia are finding themselves faced with a tough new competitor in world markets.

And after languishing for some years as one of the less glamorous American industries, textiles is now being held up as an example to other manufacturers. In the past year the industry has managed to raise its exports by no less than 45 per cent—turning a trade deficit (excluding clothing) of \$138m into a surplus of \$815m. The increase this year will not be as great but exports have still been running in the first few months substantially ahead of 1979.

In recognition of this performance the industry's trade body, the American Textile Manufacturers' Institute, has recently presented with the Government's "E" Award—the equivalent to Britain's Queen's Award for export achievement. In presenting the "E" Mr. Luther H. Hodges, the Deputy Secretary of Commerce, said the industry had clearly seen the success of its foreign competitors in export markets was due to their aggressiveness. "This year the success story belongs to you, not the Japanese or the Europeans."

The industry has surprised even itself with its success which Mr. Hodges went on to describe as far outstripping that of any other American industry. Even as recently as April last year the U.S. publication, *Business Week*, under a headline, *More Gloom for U.S. Textiles*, asserted that fragmentation over capacity, and cut-throat competition were bleeding the industry to death.

Just over a year later company after company has been reporting record 1979 and first quarter 1980 results, with overseas sales a significant factor for many of them. Cheap American products from fibres to carpets are mentioned more frequently than far Eastern imports as a threat to the continued survival of large parts of the British textile industry. Other European countries are also starting to feel the impact of intense U.S. marketing activity.

Mr. R. Lord, the President of Crompton, argues: "The spearhead for U.S. success in selling overseas has been the weakness of the dollar but added to this has been the fashion popularity of a number of products which American mills can make more economically and to higher quality standards than most of their competitors around the world."

A handful of producers in the U.S. accounts for well over half the production of denim and in the past year there has been another surge in demand for it. With carpets, as with man-made fibre products generally, U.S. producers have the advantage of cheap raw material feedstock as a result of the controls on domestic oil prices. With this and the benefit of economies of scale, producers have been able to develop sophisticated new yarns and surface effects, resulting in carpets which have proved stylistically very attractive to British consumers.

In clothing, American designers like Calvin Klein have also become highly fashionable with the young rich around the world.

Fashion appeal, however, has only been one of a number of factors behind the current American textile boom. Most of

## The industry has surprised itself with its success

the major groups have engaged in extensive restructuring of their operations during the past few years including large-scale re-equipment. The stimulus has come from increased imports, which the industry, like its European counterparts, can only hope to match in price by greatly increased productivity and a reduction in labour content.

Government regulations—tightening up the environmental standards in mills, and in particular setting new very low cotton dust levels—have also forced manufacturers to throw out most of their old cotton yarn processing equipment and buy the best available new machinery, much of it from Europe. A by-product of this re-equipment in spinning has been higher quality yarns which can be woven at much higher speeds. The industry has, therefore, replaced most of its older looms with the latest high speed shuttleless looms from Europe and Japan.

Mr. Bill Close, the chairman of Springs Mills, claims: "The cost of re-equipment has at the same time caused many of the smaller family-owned groups to sell out or close down, enabling the industry's bigger companies to increase their share of a market which because of its previous poor profit record has been failing to attract newcomers."

The trend in the 1980s, according to industry leaders, will be further investment aimed at adding to the growing capital intensiveness. According

to one estimate the industry will be spending \$2bn a year in the 1980s on new equipment and this prospect has brought a rush by the big German, Swiss, and Italian textile machinery groups to build lavish new sales and services bases in the Carolinas, the heart of the textile area. "We are now engaged on a three-year spending programme which is twice as great as anything we have done before and this will be true of all the major groups," Mr. Robert Small, chairman of Dan River, one of the main fabric producers, points out.

Further concentration of the industry is also being forecast, with the top 15 companies producing possibly as much as 40 per cent of all output by 1990 compared with 25 per cent at present, and with perhaps one-third of the industry's 7,000 firms disappearing.

Increased specialisation is also probable. In contrast to Europe, where textile companies tend to be multi-product, with forward integration in many cases into garments, most big American groups have been narrowing their fields of operation. Cone Mills had sales last year of \$681m of which two-thirds came from two products, denim and corduroy. Among the medium sized groups Crompton, with sales last year of \$158m, makes only two products: corduroy and velveteen.

For many companies expansion into export markets, enabling further advantage to be taken of specialised know-how and economies of scale—has been seen as a much safer option than the development of new textile and non-textile products for the home market. It is a trend which for another reason, too, is likely to continue, Mr. Small says. "With imports set to rise each year there is

## EXPORT SALES OF SELECTED U.S. TEXTILE GROUPS

	1979 \$m	% of Total Sales, 79 vs 78	1978 \$m	% of Total Sales
Burlington Inds.	133	5.0	85	3.5
Coleman & Atkinson	49	10.0	48	7.0
Cone Mills	210	30.0	148	23.9
Fieldcrest Mills*	125	2.4	56.3	1.7
Graniteville Company*	30	10.0	40.8	2.1
Riegel Textile	7	2.0	13.3	3.0
Stevens, J. P.*	45	2.5	80.0	1.5
West Point-Pepperell	20	2.0	33.0	1.7

\* Estimated

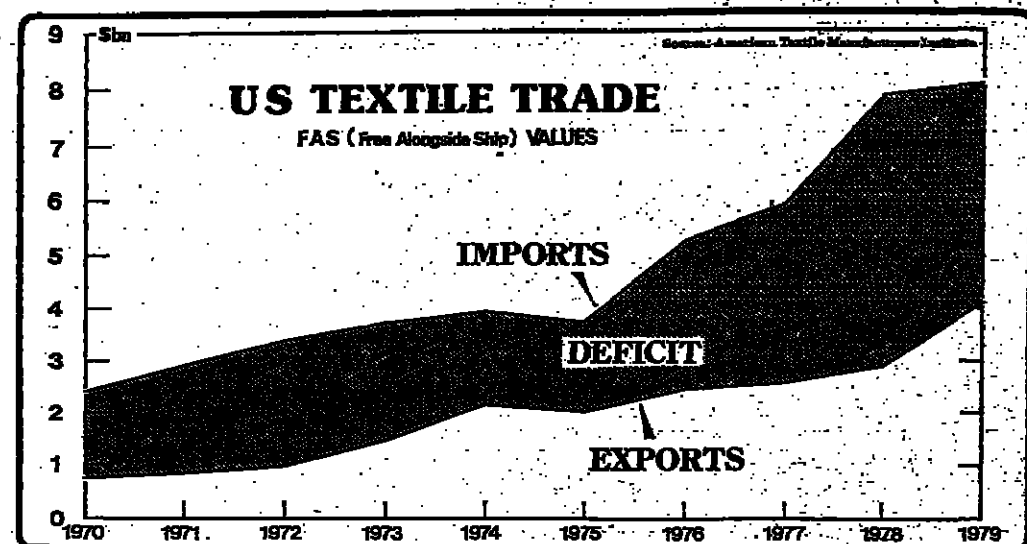
Source: Merrill Lynch, New York

only a certain amount we can do in a weaker U.S. market. Yet we currently have 20 per cent of the world's textile productive capacity and only 6-7 per cent of its exports.

The determination of American producers to close this gap is also emphasised by Mr. Riegel. "We forgot to change direction soon enough. We

Other groups such as Crompton are moving into the Far East, which is seen as potentially a more important outlet for U.S. fabric than Europe, and one of the big denim groups, Riegel, has set up a number of joint ventures in West Africa.

Mr. William Battle, chairman of Fieldcrest, and president of ATMI points out that there



have opened our markets to other people and allowed them to maintain barriers. We have pretended nations were developing when they were really fully developed, and a lot of damage has in consequence been done to the U.S. economy," he asserts.

For Dan River and other major groups the implication that the U.S. was allowing its share of a big world market to go unclaimed was spotted a long time ago. The industry has been conscious, however, that in general it has had a reputation for entering export markets when surplus capacity was available, and later withdrawing. The latest move into export markets, though helped by the weak dollar, has this time been preceded by a considerable amount of preparation and is itself evidence of the seriousness of American intentions.

The industry's giants, such as Burlington, have been operating in Europe for some time selling U.S. and locally produced fabrics and yarns. Other smaller groups have also been opening up sales bases, and developing links with European garment producers, or with the big U.S. clothing companies in Europe, such as Levi and Bluebell.

Thus Tri-Cro, a thread producer, opened a Brussels office in 1976 and Greenwood Mills, a producer of volume fabrics, opened a London base, first established in 1970. Fieldcrest Mills, a major household textile group, has developed "a store within a store" at Harrods, and West Point Pepperell, another group in the same area, has a joint venture with Tootal which distributes its top brand of sheets and towels.

remains a danger. This is that the industry's export effort could be upset by external factors such as a strong rise in the value of the dollar. "We may be looking at exports through rose-coloured glasses because of the position of the dollar. This has made the U.S. textile marketplaces and whetted the appetite of the industry. We now have to make sure our new commitment to overseas sales is maintained," he argues.

The industry's competitiveness will also be influenced by the cost of meeting tougher Government environmental standards not only in the cotton field but on water and air pollution, and by the movement of U.S. oil and natural gas prices up to world levels. Wage costs are also rising, though this is being offset very largely by the introduction of more capital intensive equipment. This is expected to result in a reduction of around one-third in the current labour force of about 900,000 in the next ten years.

Wage rates in the industry—the biggest manufacturing employer of women, and of blacks and other minorities—average less than \$5 an hour (around \$10,000 a year) or less than half the earnings in the car industry. Less than 10 per cent of employees belong to unions. Strong competition is now being provided, however, for the industry's labour force by the surge of inward investment, much of it from Europe, into the sunbelt states of the South. At East where the textile industry has its main base.

In spite of these possible problems, and the much more immediate threat posed by the sudden arrival of economic recession, the Wall Street analysis of the industry's prospects is, as a result of export and other development, more optimistic than for many years. Textiles, according to Mr. Jay Meltzer, an analyst with Goldman Sachs, is now in relatively good shape after the substantial restructuring of the 1970s and has become the cheapest producer in the world of many fabrics. The main area where an improvement in performance is needed, he argues, is in the rate of return on investment. The key to the industry's ability to continue raising the money it needs. But there are signs, he claims, that this problem is being given serious attention. Moreover, for the first time in years textile shares are being tipped on Wall Street and their prices—traditionally very weak in relation to other shares—have improved.

The industry's recent strong performance at home and abroad will help to generate the funds

for the further growth which it is now hoping to achieve in the 1980s. The textile sector is also hoping that strong lobbying in Washington for changes in depreciation provisions—extending the period in which expenditure can be written off—will be successful, bringing the industry more closely into line with overseas competitors.

The key factor may still be exports which will have to continue growing if both the higher output of the industry and the likely long-term growth in imports are to be accomplished.

## Wage rates average less than half the earnings in the car industry

modated. With most other countries also wanting to make textiles there is clearly a danger of aggravating worldwide overcapacity and of U.S. competitiveness severely limiting the ability of developing countries to sell their goods at the prices they need. This danger is realised and the main drive is being placed on the need to raise world consumption of textile products.

"Per capita consumption of textiles in the U.S. is now at an all time high of 60 lbs per year, yet world per capita consumption stands at only 15 lbs per year. Even the developed nations of Western Europe have domestic consumption averaging only half that of the U.S. and in emerging nations the figure dips as low as 5-6 lbs per person. Why cannot we devote more of our genius for innovation, efficiency, good reliable and continuing service, styling and promotion to building consumption in these markets?" Mr. Morris Bryan, president of Jefferson Mills, asks.

"How this will be done is not clear but the U.S. textile industry has the firm assurance of strong support from the Government which, as well as making funds available for textile export promotion under the terms of a document agreed with the industry last year, is also threatening to take a tough line with any country deemed to be imposing barriers to American goods, including the advanced developing countries. In congratulating the industry on its response to the document, Mr. Hodges added a note of encouragement which carried with it the promise of further strong government support. "Right now the industry has a friend in the White House," he assured them.

## MEN AND MATTERS

## Waiting in the wings

Has the bonhomie enveloping the 50th anniversary celebrations of the Bank for International Settlements gone to the French Government's head? From Basle I hear that France may be prepared to relinquish its hold on the general manager's post and for the first time since 1930 allow a non-Frenchman to take charge.

It still has plenty of time to change its mind, however, since René Larre, the washpot former treasury official who has held the post since 1971, is not due to retire until next February. In the meantime, I understand, Dr. Guenter Schleiminger, his German deputy since 1977, is strongly favoured to succeed him. The original reason for the choice of Frenchmen to run the day-to-day affairs of the central bankers' bank was that France was the main creditor of reparation-torn Germany when the BIS was established in the doom-laden days of 1930.

With Franco-German cordiality growing apace, old jealousies, fears and suspicions seem to have faded—despite the current upsets in the "natural order" which have West Germany floundering in unaccustomed current account deficit and the French from lordship over the Deutschmark at the top of the European Monetary System.

## Bean jumps in

The Department of the Environment is more puzzled than peevish about the high-speed coming and going of Ronald Turton, named last month as "shadow" chief executive of the "shadow" development corporation which is supposed to start the job of revitalising Merseyside's moribund docklands at the start of next year.

No sooner had his appointment been announced than he quit without giving the department a chance to argue. "He called in a professional safe-cracker to 'blow' the strong-

box. No one knew what it held and the combination had been long forgotten.

The centre now expects to raise up to \$25,000 for the papers at auction this month. The safecracker already has his relatively modest reward, having been allowed to take away the safe and sell it for scrap.

## Rover's returns

While I am sure we are all relieved at the brightening picture painted by Crown Agents at the weekend, the report of chairman Sidney Eburne skated around one activity which is still losing money. I have in mind the supply of dogs to overseas authorities.

Last year, for example, the forces of the Agents' scientific and domestic supplies branch were summoned to supply to Colonel Border Collie bitch to keep in order a flock of Scottish Blackface sheep ranging the Cordillera.

Cost to the Colonians: £300 for the dog and at least the same again for the plane ticket. The cost to the Crown Agents cannot easily be computed, but Audrey Lawrence, who runs the scientific branch tells me: "On what we charge we cannot have made anything but a thumping great loss. But this service is something that counteracts bad publicity. You have to weigh the aggravation it costs us against the goodwill it creates."

Far removed from the sentimental appeal of the market in sheepdogs, Crown Agents also supply police dogs.

As I am sure I hear, tend to degenerate into clothed sofas when bred in the tropics. And since South East Asian buyers in particular seem to prefer bears with a substantial bite, they regularly come to Britain for their stock.

They are, however, finding it increasingly difficult to find hours of the necessary calibre, possibly because many Alsatians are now being bred more for their virtues as show dogs and pets and are as likely to

want to play with malleasants as to grab them by the seat of the pants.

## Time change

Insensitive to what the rest of the world considers matters of principle, the Russians are still tuned-in when it comes to affronts to their peculiar set of moral values. Omega, an advertiser in the official Olympic Games programme, and the Swedish firm which printed them jumped through hoops, I hear, at the behest of Moscow proof-readers who took exception to the small print in an advertisement.

The firm took space to boast that it had been official time-keeper at all games since 1932, listing the dates and sites of all the meetings since—including Berlin in 1936.

Not even sport escapes the attentions of those comrades charged with re-writing history. All reference to Berlin had to come out, they said, because they were the "fascist games". Omega, however, stuck gamely to its guns and after a long haggie it was agreed that the ad and history could remain unchanged in the West European language editions while in the Russian version all the venues were obliterated.

Note to Kremlin readers: The page facing Omega could also do with some adjustment. It has been taken by Coca Cola, which trumpets that it "has refreshed athletes and spectators alike at every Olympiad since 1928." Not this one. The Coke people have headed the Carter boycott and pulled out.

## Follow father

From New York a story of a 10-year-old boy who asked his father what made children become delinquents. "Shut up," said pa. "Four yourself another drink and deal."

## 12 YEAR OLD FOUND SLEEPING ROUGH IN ABANDONED CAR.

One cold Friday night in January, 12-year-old Sam had a row with his stepfather. It started because Sam forgot to switch off the landing light. It ended with his stepfather, quite literally, throwing him out and telling him never to come back.

Although she was worried because of the freezing weather, his mother was afraid to do anything. After all, she had four other children and a small baby to feed too. So it wasn't until Tuesday—when the social worker made a routine visit—that the police were alerted and the search for Sam began.

Two weeks later, Sam was found sleeping rough in an abandoned car. He was dirty, tired and hungry. Even so, it took over an hour before he could be coaxed out of the car. And many weeks before he managed even a flicker of a smile.

There are many children like Sam in Barnardo's residential homes. Children whose families have let them down badly. Children whose distress cannot be measured, whose desolation cannot be put into words.

Will you help us give them the love and care they need to mend their shattered lives? It takes time and infinite patience. And, of course, it takes money. Every £1 you send helps Dr. Barnardo's.

being missing to a child's life. \$2 would buy Sam a few posters of his favourite football stars to put on his bedroom wall. \$5 would buy him a football of his very own. \$50 would buy him a bed to sleep in. And if you covenant to pay regularly, we can claim back tax, so every £1 you give is worth £1.43.

As well as residential homes, Barnardo's run temporary relief homes for families in distress, day care centres, and residential schools for the handicapped. Please send what you can today to help us go on taking care of children like Sam.

Write to: Dr. Barnardo's, 200 Tottenham Lane, London, N16 9JG. We'll send you a booklet with more details of our work.

**Dr Barnardo's**  
Dr. Barnardo's, Tottenham Lane, London, N16 9JG.

I enclose a donation of £2 ☐ £10 ☐ £25 ☐ £50 ☐

☐ Please send me details of covenants so that I can increase the value of my giving.

Name \_\_\_\_\_

Address \_\_\_\_\_

To: Nicholas Lowe, Appeals Director, Room 633  
Dr. Barnardo's, Tottenham Lane, London, N16 9JG.

مكتبة النور



# Pitfalls in the path of dockland UDCs

BY ANTHONY MORETON, Regional Affairs Editor

WHEN SIR GEOFFREY HOWE announced in his Budget speech at the end of March that enterprise zones would be set up in selected areas around the country, he threw something of a political spanner into his Government's plans for urban development corporations (UDCs) to rejuvenate the dockland areas of London and Merseyside.

The dockland corporations had been unveiled by his colleague, Mr. Michael Heseltine, the Environment Secretary, last autumn—not without considerable opposition.

The five boroughs concerned in London, each Labour controlled, objected to losing their part in the rebuilding of docklands, which has been going on since 1978, at the behest of a Tory minister. In Liverpool, a confrontation with Whitehall was only averted at the last minute when the Tory Merseyside County Council suddenly dropped its outright opposition to the proposal.

However, Sir Geoffrey did more than just cast political confusion. He cast doubt on the logic behind the whole concept of the two urban development corporations.

Enterprise zones are to be areas where planning and other regulations are kept to a minimum to stimulate development. There will be no development land tax, industrial and commercial property will pay no rates and there will be 100 per cent capital allowances for commercial and industrial buildings. The zones will be areas of about 500 acres each given over to go-go businesses. The Chancellor specifically stated that one of these areas would go to Merseyside and another to London, probably to the docklands.

What logic is there in having

two bodies trying to improve economic life for their areas? If enterprise zones succeed they could draw away capital and initiative from the urban development corporations areas. In London's case, the corporation could probably stand the competition because its area will be around 5,800 acres when designated. But on Merseyside the corporation is expected to have an area of about 1,000 acres to plan: a 500-acre enterprise zone part of wholly within its boundaries, or even nearby, could swamp it.

The designated chairman of the corporation, Mr. Nigel Brookes, head of Trafalgar House, in London, and Mr. Leslie Young, chairman of J. Bibby and Sons, in Liverpool, swallowed hard and adopted a grin-and-bear-it approach. Mr. Heseltine, for the record, said nothing.

No one denies that something has to be done about the rundown areas that front both the Thames and the Mersey. London's Wapping, High Street and Liverpool's Wapping have much more in common than a name. For each the good times have gone but there are high hopes that they could return.

London's Wapping, where Jack the Ripper once operated, houses the wharves and the complex of the London Docks, the Western and Eastern Docks and the Shadwell Basin. Liverpool's Wapping runs alongside the Mersey past the Salthouse Dock, the Albert Dock, the Wapping Dock itself and the Queen's Dock. It is a place of almost indescribable inner-city deprivation, the docks gaunt, empty, vandalised and in a state of decay.

In both ports the docks have fallen upon hard times because

patterns of trade have changed radically. Liverpool was built on North American trade and especially cotton; London on a general trade, but one which was essentially small units, handled individually, in relatively small vessels.

As new techniques, such as containerisation, and new markets arose so the ships looked elsewhere and the whole interlocking nexus of dockside trades slowly seeped away. This seeping away led to social and industrial decay on a scale hardly

## What is the logic of two bodies trying to improve economic life for their areas?

envisaged anywhere else in Britain with the exception of Glasgow's East End.

The need to do something about Liverpool has been acknowledged for years. But London's needs have been consistently ignored. While Merseyside has had special development area status for a long time, successive Ministers have drawn back from helping the capital even though the decline of the dockland has been as sharply defined as that in many other assisted parts of Britain.

This failure was eventually conceded when Mr. Peter Shore, then Environment Secretary, switched the whole thrust of Government policy to inner-city aid, not just in London and Liverpool but in our other major conurbations as well.

For his successor, Mr. Heseltine, this was not sufficient. He wanted a grandiose plan to do

something special about London and Liverpool and came up with the idea of urban development corporations.

He had the same vision for Glasgow, too, but was warned off, partly because his flat does not run to Scotland and partly because the Glasgow Eastern Area Renewal project, under the aegis of the Scottish Development Agency, had already made considerable progress.

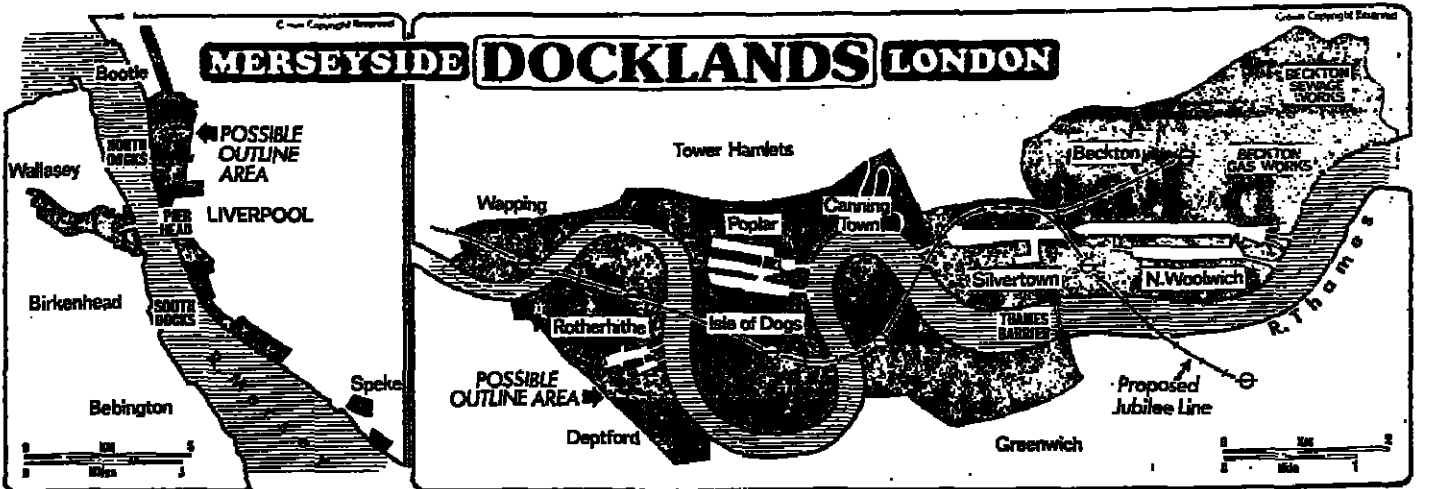
Mr. Heseltine's idea was, in effect, to take responsibility for rebuilding both London's and Liverpool's docklands away from local councils and give executive power to urban development corporations, in essence super new towns. Businessmen were to be appointed to head the corporations and private capital was to play a vital role in the rebuilding process.

What Mr. Heseltine was not to appreciate was the strength of feeling aroused by his proposal in the town halls. In London six local authorities were involved: the Greater London Council and the five dockside boroughs of Southwark, Tower Hamlets, Newham, Lewisham and Greenwich. A Tory county and five very Labour boroughs.

Liverpool was similarly divided: a Tory Merseyside County Council and three districts—Liverpool, Sefton and the Wirral—with differing political control.

The position in London was further complicated by the existence of the Docklands Joint Committee (DJC), a body set up in the mid-1970s to do just what the new urban development corporation is supposed to do.

There is, however, one vital



difference between the DJC and the new urban development corporation which will eventually replace it. The DJC is an amalgam of local authorities and outside interests, with the local councils having an important voice on it. The new urban development corporation excludes the boroughs—and they do not like it. They see their power and influence within their own boundaries taken away from them.

Mr. Heseltine exercised great skill in choosing his main figureheads for the UDCs. A businessman to head each corporation, and a prominent local politician to back him up.

For London, there is Mr. Bob Mellish, one-time Labour chief whip in the Commons and a dockside MP since 1946, to back up Mr. Brookes.

For Liverpool, Sir Kenneth Thompson, leader of Merseyside County Council, former Conservative MP, a one-time junior Minister, and until the day of his appointment to the UDC an implacable opponent of the whole scheme, is deputy to Mr. Young. On the day the UDCs were announced, Sir Kenneth retorted that they would be "quangos of the first order, faceless, bureaucratic, and without a vestige of public accountability."

The antipathy towards the UDC among the local councils illustrates the difficulties facing the new urban development corporation. Mr. Young's main problem is finance. He must attract private capital to

an area which has a reputation for difficult labour problems.

Finance should be less of a problem in London. But the five boroughs, especially the inner three—Southwark, Newham and Tower Hamlets—are bedrock Labour country. Some idea of their opposition may be seen from comments recently made by Mr. Paul Beasley, Leader of Tower Hamlets.

"The proposed Tory legislation to impose an urban development corporation on Tower Hamlets will hit at the very foundation of local democracy," he stated.

"This is the closest to total

## Mr. Heseltine had the same vision for Glasgow but was warned off

dictatorship any British government has ever come and I am totally and utterly opposed to it."

These are not the words of a man who will be easily charmed by the blandishments of Mr. Brookes or even the socialist Mr. Mellish. It will take a lot of careful diplomacy to overcome that sort of opposition.

The opposition of the boroughs is strengthened by the fact that they have already achieved some success in attracting new industry. Tower Hamlets itself has secured two very large employers with the decision of the

newspaper groups News International (Sun, News of the World) and the Telegraph (Daily and Sunday) to base their printing operations in the area.

The borough's opposition is strengthened by the knowledge that in the past four years the Docklands Joint Committee has completed a lot of the essential infrastructure work, such as the laying of sewers and in-filling of docks, which has to be undertaken before anything can be put up.

When Mr. Heseltine visited the area last year he afterwards expressed considerable disappointment that such little progress had been made. His critics complain that he only looked at the surface. Mr. Brookes has not made this error; he has paid handsome tribute to the achievements of the boroughs and the work of the DJC.

Mr. Brookes must win the support of the boroughs to succeed for another important reason: about 80 per cent of the land is publicly owned and it has been estimated that about 80 per cent of this public land is suitable for development.

Not all of this will be in the hands of the boroughs, of course. Much will be owned by the Port of London Authority, British Rail, British Gas and other state bodies. But the public sector is paramount.

The other main arm of Mr. Brookes' policy—and a similar pattern is sure to emerge in Merseyside—is that the corpora-

tion will define solutions but get others to implement them.

The corporations will undertake an arm's length policy. Such an attitude is sensible. As some councils, though still only a minority, have come to realise, funding massive operations in today's circumstances places unreasonable strains on local authority resources. Better to involve private finance if possible. The new towns have led the way and some councils have followed.

Meanwhile, the feverish process of creating working organisations goes ahead. Although the Bill creating the corporations has still to be approved by Parliament, work is going on as though it had been approved.

Chief executives have been appointed for the embryonic corporations and it is hoped that they will be operational by the start of August. The chiefs will be choosing their own immediate staffs as consultants look for premises and the respective chairmen and deputies talk to potential board members.

Each board can be 13-strong and there is no shortage of candidates for them. Some have offered their services, some have been approached. The corporations have to be ready to go by January 1. It will not be an easy target date to meet but, at the moment, that is probably the least of the problems.

## Letters to the Editor

### Who are the big spenders?

From the Leader, Swansea City Council.

Sir—You recently reported on "big spending councils" facing a cut in grant. Among these so-called Baddies is the City of Swansea.

Your readers may therefore be surprised to learn that in 1979, (the latest year available), the average domestic rate bill in the City of Swansea was £165, in the 402 local authorities in England and Wales, there are 254 authorities where the average household's rate bill was higher than Swansea. These figures highlight the fact that the rate in the pound is no guide to an authority's expenditure. Of the authorities listed by your Correspondent, Camden has an average domestic rateable value of £409, whilst Adan is £141 and Swansea £165.

In case your readers reach the conclusion that Swansea has been included in the list of "Baddies" because it has exceeded the norm for rate increases, I would point out that our domestic rate in the pound was increased by 15.63 per cent this year. I need hardly tell readers of your paper that this is a good deal less than the current rate of inflation.

As in other authorities, the rates in Swansea are decided upon by democratically elected members. Their budget is questioned and scrutinised in open Committee with the Press in attendance. I don't know whether any other block of public expenditure receives such detailed and democratic scrutiny.

However, the prospect of ever increasing central control which your article conjures up, fills me and local government colleagues of all political persuasions with apprehension.

E. T. Lewis

The Members Room, The Guildhall, Swansea.

### Boycotts and Arab trade

From Professor Samuel Eilon

Sir—In his letter (June 3) Andrew Pauls, M.P., recalls the evidence given last year to a Select Committee of the House of Lords to the effect that American trade with the Arab world has not suffered as a result of the anti-boycott legislation in that country. He argues that the evidence was false, that he has now learnt that American exports to the Arab countries have been shrinking relatively to the total in every year, and that in construction (for example) America is winning far fewer contracts than it used to.

He admits that there may be "additional reasons for the decline in American trade with the Arab world, but it seems clear that the boycott legislation has been a significant factor in hampering American business in that region."

Well, it is far from clear. Other countries have been more successful than the U.S. in securing construction contracts in recent years (and for good reasons), but American trade as a whole has expanded enormously with the Arab world. The Statistical Abstracts of the U.S. for 1979 reveal that American exports to the Near East (excluding Israel) rose from \$1,959m in 1973 to \$10,467m in 1979, i.e. more than 54-fold. In contrast, the increase in American exports in the same two years was from \$2,306m to \$5,888m to Africa,

only 24-fold, and from \$21,360m to \$39,936m to West Europe, less than 2-fold. A further comparison with UK export to the Middle East and North Africa (excluding Israel) (obtained from the Information Division of the Department of Trade) shows that the figures for the same period rose from \$50m to \$4,032m, i.e. just below the rate of increase of American export.

Mr. Pauls will have to do better than that. Samuel Eilon, Department of Management Science, Imperial College, Exhibition Road, SW7.

### Bread and clarinets

From Mr. M. Hewitt

Sir—Mr. Colin Bradbury, principal clarinet player with the BBC Symphony Orchestra, is said to negotiate his own salary with the BBC, unlikely to be above £10,000 p.a. but said by him not to be comparable with salaries paid to equivalent people in industry (June 4). Therein lies the difficulty, that we don't have principal clarinet players in industry and few people in industry are also professors and able to undertake freelance work as well.

What should we pay musicians, especially when there appear to be too many of them for the money that we, the public, are prepared to spend to support orchestras?

Perhaps the Musicians Union should learn from the medical profession. Ensure that the number of entrants to the profession is limited by restricting the training facilities and seek legal protection to prevent any who do not qualify through the official channels from practising. The mind boggles at what the consultant clarinet player could then earn and certainly the general practising clarinetist would not starve.

Incidentally quite a few people in industry have to do considerably more than 1,500 hours of concentrated playing for less than £10,000 p.a. M. C. P. Hewitt, Parvus House, 62 Floral Park, Conford Magna, Wiltshire, Dorset.

### Miles per gallon

From Mr. T. P. Kelly

Sir—Your correspondent Mr. K. E. Dunn (May 31) and his industrial chemist adviser both

appear to have got hold of the wrong end of the stick. The advice was to buy petrol early in the day while it is still cold. The volume of petrol increases as it rises in temperature, but the energy content is dependent on the actual mass of petrol bought. As petrol is sold by volume, you get a greater mass of petrol (and hence greater energy content) by purchasing cold petrol rather than warm petrol.

In most cases the petrol storage tanks in garages will be at their coldest in the early morning, so that this is the best time to buy in order to get the greatest mass of petrol for any given volume purchased.

It is only fair to point out that most storage tanks are buried several feet underground so that the temperature variation in the tanks will be small compared with the changes in air temperature between night and day. Any savings achieved by purchasing petrol in the early morning will be very small, but real nevertheless. The original advice given in your Motoring column was sound.

T. P. Kelly, 26, St. Catherine's Road, Chingford, E4.

Why the circus left town

From the Secretary of the Captive Animals' Protection Society.

Sir—There is no doubt that economics have hit the travelling circus and will hasten its decline as an established tradition, but there is an added reason for the enforced closure at this time for Gerry Cottle's circus. Although the circus trade will not acknowledge the fact, it is becoming more and more obvious that there is an increasing distaste for the exploitation of animals and a public awareness of all that this involves.

The travelling menagerie, which is the worst form of zoo, alone condemns the use of animals for purely commercial reasons in the name of entertainment. People are becoming more enlightened and the wonderful wild life films on TV presenting animals in their natural habitat point the difference between their true life style and the totally unnatural and frustrated existence in the circus. Opposition to this is shown by continual controversy in the press and by many groups throughout the country who

make their voices heard during circus visits.

In view of this and the financial estimates of the costs of keeping animals shown in the article by Robin Pauley and Lisa Wood (May 31) it is to be hoped that new circuses will supersede the old animal exhibitions and become the circus of the future with skilled acts of star human performers.

Miss I. M. Heaton, 17, Raphael Road, Hove, Sussex.

### Bring back the local bobby

From Mr. A. I. Ferguson

Sir—One of the problems of improving the standards of decency in this country is that minor laws are often largely ignored. Things like litter, cycling on pavements and a host of other trivia are all catered for on the statute book, but in the rare event of a policeman actually being present, he may well ignore the incident to save queuing up for hours in the magistrates' court.

Firstly, there should be more police on the streets and secondly, they should have the ability to give fixed fines for minor misdeeds. Something like this would bring a very beneficial result, and the mere fact of the increased presence of the police would deter crime and once again make the local "bobby" a friend to most.

A. I. Ferguson, 4, Burns Court, Marine Parade, Doolish, Devon.

### Confusion over energy figures

From Mr. David Rollo

Sir—It is not surprising that the public are bemused by energy statistics. Your Energy Editor (June 4) thinks that oil will be available well into the next century and perhaps beyond. Shell, on the other hand, during the "Save It" campaign gave the world energy resources in oil as equivalent to 30 years production at current levels in an advertisement entitled "The New Energy Age is on its way."

Perhaps there is an explanation of sorts in the figures presented to the National Energy Conference by the Department of Energy who gave estimates of the duration of recoverable world energy reserves of oil

as not throwing them straight into Tony Benn's arms. She may leave them with no other thoughts in their minds than revenge on the Tory Party.

But if Mrs. Thatcher can put aside some of her dogmas and do more to foster here and now that powerful Macmillan slogan of ordinary folks never having had it so good as under the Tories, she can keep the shop floor interest in the leadership of the Labour Party at its present low level—and assure herself of being at No. 10 for her State Pension days.

Of course, if she thinks shop floor people don't matter a damn she won't deviate an inch from her set path. And there could be a sad outcome for the country. But nobody should then blame Benn. F. Whitehouse, 135 Ecclesfield Road, Chapeltown, Sheffield.

ranging from 82 years at zero consumption growth rate to 37 years at 4 per cent growth rate.

In Scotland the figures presented by the NCB for coal reserves are equally misleading, if not more so. The NCB's figures give a duration of about 50 years while the Department of Energy's figures are equivalent to about 1,000 years.

The NCB qualifies its estimate by saying it refers to coal accessible from existing coalfields under present economic conditions but this is not made obvious in newspaper articles.

Similarly, the Scottish electricity boards when promoting nuclear power claim that "most" sources of hydro-power potential in Scotland have been exploited. But the boards' representatives in the early 1960s and the NSHEB Report of 1962 quote figures which show that two thirds of the potential has not yet been developed.

Even governments are now realising that fossil fuels are limited in quantity and that the market economy is not the best way of investing for the future. After all, on a discounted cash flow basis the earth is simply not worth saving.

A start could be made, particularly in Scotland, in planning for the future if nationalised bodies and government agencies would detail the data and assumptions upon which their estimates and statements are made.

At present the electricity boards are antipathetic to the public by aiming their publicity below the lowest common denominator. I am sure that many people would appreciate the reasons for the oil-fired white elephants which were planned when oil was \$2 a barrel. The boards seem frightened to tell us.

David Rollo, 25, Beaufort Drive, Kirkintilloch, Glasgow.

### A drawback of Eurocontrol

From Mr. Alasdair Hutton

Sir—The letter from the trade union representatives in Eurocontrol (June 4) made a number of helpful points in the debate on air transport in Europe.

They were coy, however, about mentioning one drawback of a unified air traffic control system in Europe. It would place tremendous power in the hands of the trade union representatives to bring Europe's air traffic to a standstill with vastly greater misery and loss than we have already seen when only one nation's controllers strike and go slow.

Anyone interested in improving air transport in Europe must be concerned about this and would need substantial reassurance about trade union behaviour before accepting the arguments adduced to support Eurocontrol.

Incidentally, I have not found Great Britain's image "extremely low" in the European Community. Indeed I find in the European Parliament that we have never been better respected.

Alasdair Hutton, Member of the Transport Committee, European Parliament, 131, St. Vincent Street, Glasgow.

## Today's Events

House of Lords: Employment Bill, committee. Sea Fish Industry Bill, second reading.

Select Committees: Welsh Subject: Employment opportunities in Wales. Witnesses: Mr. Nicholas Edwards, Welsh Secretary, Room 9, 10.30 am and 4.30 pm. Foreign Affairs, Overseas Development Sub-Committee. Subject: Development Divisions of Overseas Development Administration. Witnesses: Overseas Development Administration. Room 15, 4.45 pm.

OFFICIAL STATISTICS

UK banks' eligible liabilities, reserve assets, reserve ratios and special deposits (mid-May).

Central Government transactions (including borrowing requirement) (May). London clearing banks' monthly statement (mid-May).

COMPANY MEETINGS

Clive Discount, 1 Royal Exchange Avenue, EC, 12. P. and W. Macmillan, Merchants House Hall, 7 West George Street, Glasgow, 12. Newcastle and Gateshead Water, 10 Alendale Road, Newcastle upon Tyne, 12.30. Office and Electronic Machines, Winchester Hotel, 77 London Wall, EC, 12. Tibury Contracting, St. Ermins Hotel, Caxton Street, Westminster, 11.30. United Newspapers, 23-27, Tudor Street, EC, 12.

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THE M&G GROUP



## A B Foods jumps 25% to £99m: sales top £2bn

A good performance by retail companies, renewed growth in operations abroad and the small but positive contribution from the bakery division have combined to give the Associated British Foods Group, growth both in sales and earnings for the year ended March 29, 1980.

Pre-tax profits up at £98.7m show an increase of £19.8m or 25 per cent and are after taking into account the adverse effect of £1.4m due to differences in exchange rates. Sales went ahead from £1.82bn to £2.15bn.

World wide sales are after a reduction of £30m in currency revaluation. UK sales increased by 17 per cent while overseas rose by 25 per cent in terms of local currency.

Stated earnings per share are 16.95p against 14.09p. A second interim dividend of 2.5p lifts the year's total to 3.4p—last July, the board had expected to pay a total of not less than the 2.9p of 1978-79, which in that year included a special payment of 0.314p.

Mr. Garry Weston, chairman,

says that once again the figures demonstrate the broad level of activities and strength across a wide segment of the food industry, and the results of the continued policy of heavy investment.

Despite high interest rates prevailing in the second half of the year, the increase in interest charges for the group have been kept to a low figure—£13.4m against £12.5m—and reflects the group's very strong cash flow in the UK during the period and ability to keep borrowings to a low level, the chairman says.

The effects of a lessening in industrial unrest in this country was in part responsible for the good improvement in the results of the UK manufacturing divisions, enabling these to achieve record trading profits of £47.8m, an increase of 32 per cent on the previous year.

In addition to the profit recovery in the bakery division, the majority of the other manufacturing companies improved

their performance. Sales through retailing divisions increased by 25 per cent to £657m, while trading profits rose some 40 per cent to £15.8m.

Trading profits of the overseas companies increased by £4.8m to £48.8m, the majority of this increased contribution coming from Premier Milling Company.

Once again a heavy investment programme in renewing fixed assets has been maintained and capital expenditure totalled £99m (£90m).

Year 1979-80 1978-79

	1979-80	1978-79
Sales	2,145,895	1,822,488
Trading surplus	147,342	122,476
Depreciation	35,140	31,052
Interest payable	13,407	12,526
Profits before tax	98,895	78,898
UK tax	15,228	13,335
Overseas tax	13,529	11,819
Net profit	69,888	53,094
Minorities	5,053	7,886
Extraordinary credit	5,358	1,172
Available	68,141	54,377
Prof. dividends	40	40
Interim dividends	13,281	9,310
Retained	52,760	45,067

Lex, Back Page

## N. Brown advances to £1.24m in second six months—pays more

SECOND HALF pre-tax profits of N. Brown Investments, direct mail order business, advanced from £710,000 to £1.24m, and the figures for the year to March 1, 1980 came out at £1.67m compared with £1.01m for the previous 53 weeks. Turnover, including VAT, for the year was up from £18.55m to £23.03m.

After tax up from £187,000 to £394,000, and extraordinary losses of £62,000 (£33,000), stated earnings per 20p share are 10.74p against 6.78p. The final dividend is raised from 1.883p to 2.5p, making the total 3.385p against 2.505p, an increase of 35 per cent. Dividends absorb £416,000 (£269,000), leaving retained profits of £885,000.

Mr. David Alliance, the chairman, states that the current spring/summer season has started well. He says, however, it would be unrealistic to antici-

pate profit growth continuing at the sort of rate achieved last year.

Despite the difficult trading conditions which are likely to occur generally in the UK during the next 12 months, he feels that the base represented by last year's results allows him to be cautiously optimistic for the future.

### New plan from Schroder Life

A NEW flexible life contract, combining protection with savings, has been launched by the Schroder Life Group, a wholly-owned subsidiary of Schroders, the merchant banking and investment group.

Under the flexible whole life plan, the investment and protection elements can be varied through the duration of the contract to meet the investors changing needs and demands for each element.

The plan provides for a maximum and a minimum level of cover, the higher the cover the smaller the amount invested in units. Thus the plan can vary from a straight savings plan with minimum cover to virtually a whole life non-profit scheme.

The investor has the option of increasing the amount of death cover in line with the Retail Price Index, the premiums being raised in line with this extra cover. The increase in cover can be made up to four times the original level without any further evidence of good health.

The plan is linked at the outset to any of the existing range of funds—equity, fixed interest, overseas, income accumulation, money and the managed fund. There is a switching option between the funds, providing the value of the units accumulated is at least £500.

The minimum initial gross contribution is £15 a month or £150 a year. The plan is available for any age between 13 and 70.

### Aberdeen Invs. sees growth

A further improvement in revenue is anticipated for the current year at Aberdeen Investments and Mr. Ronald Dean, the chairman, says he is very hopeful that results for the period will again prove satisfactory.

With the growing benefits of North Sea oil coming through the Board looks forward to the future with considerable confidence, he tells members in his annual statement.

Pre-tax revenue for the year ended March 31, 1980 rose from £91,213 to £108,566. Earnings per 25p share were up to 3.65p (3.99p) and the dividend is being lifted to 3.5p (3.85p) net.

Mr. Dean is to relinquish the chairmanship after the annual meeting but will remain on the Board. He is to be succeeded by Mr. Dennis Murphy.

Meeting, Aberdeen, July 1, 10.30 am.

### HIGHLIGHTS

Associated British Foods has produced the anticipated improvement for 1979-80 with pre-tax profits rising by 25 per cent to £98.7m. Lex comments on the figures, then moves on to the latest trends in wholesale prices and sets the scene for today's banking figures ahead of which money market interest rates have been easing. On the inside pages there are some poor results from Calfryn, Pawsen's results come in for comment and there is the latest news of developments in the Ewer/Cowie saga.

## Laird's cash position shows improvement

AS A result of the closure of The Patent Shaft Steel Works early in 1980 and the receipt of nationalisation compensation, the cash position of the Laird Group had already improved, Sir Ian Morrow, the chairman, told the annual meeting.

In these circumstances, the group was actively looking at further measures to broaden its base as well as develop its existing activities, he said.

Group stockholders' funds were expected to recover this year from the setback in 1979 which followed from the decision to close Patent Shaft. The Board estimated that by the year-end, cash would have been released from Patent Shaft's net current assets, although the sale of its fixed assets would take longer.

The two electric arc furnaces, the plate, section and billet mills would have to be marketed internationally and had already attracted enquiries, Sir Ian stated. There was also the site, consisting of 127 acres in Wed-

nesbury in the Midlands.

The chairman reported that the balance of £1.65m was received on Friday in respect of the agreed nationalisation compensation of £3.75m for Scottish Aviation.

Negotiations were continuing for the 50 per cent shareholding in Cammell Laird Shipbuilders and it was hoped that some further progress would be made by the end of the year.

Group pre-tax profits last year slipped from £11.12m to £10.73m, on increased turnover of £207.05m (£150.98m). However, despite the difficulties created by the national road haulage and engineering disputes, profits outside steel rose significantly from £9m to under £13m.

This improvement was based on transport engineering and the specialist engineering products which the group had developed. The new service industries division also made major progress, particularly in airfreight and aircraft catering.

## Buckley's Brewery sees continued profit growth

Mr. W. K. Buckley, chairman of Buckley's Brewery says he is reasonably confident that this year will see a continued growth in profits although on a less impressive scale than those achieved in 1979-80.

In the year to March 29, 1980, pre-tax profits rose from £808,624 to £1,026m from turnover of £8.05m compared with £7.29m.

Mr. Buckley says in his annual statement, inflation, effects of the steel strike and increasingly fierce competition are factors that will affect profitability this year. The volume of sales so far this year reflects the impact of these three factors.

## Barget cuts midway loss

ALTHOUGH SALES at furniture manufacturer, Barget were well down at £1.18m, compared with £2.55m, the loss for the half year to March 31, 1980, was reduced from £178,491 to £129,701. This was in line with the figure of around £125,000 indicated in April with the annual report. There is again no tax.

In common with most of the furniture industry, the company's trading results have been adversely affected by depressed sales and higher costs and the board says that in the present

climate, this trend is likely to continue for the rest of the current period.

The board believe that substantial trading benefits will flow from the association with the company's new controlling shareholder, Tinnex, but these are unlikely to affect results materially this year.

Loss for the previous full year reached £845,000 (£252,000).

The last dividend payment was 0.5p net per share in respect of the 1975-76 year.

## Albert Martin indicates loss in first half year

PRESENT indications were that results of Albert Martin Holdings, clothing maker, would show a loss for the first six months of the current year, Mr. C. R. Martin, chairman, told the annual meeting.

The disappointing turnover experienced in the first quarter of 1980 was continuing and in common with other clothing manufacturers and distributors, the group was suffering from poor retail demand.

As a consequence of this and the strength of sterling, the group was experiencing difficulty in achieving adequate selling prices and in developing profitably full utilisation of its enlarged production capacity, the chairman said.

These factors were having a detrimental effect on margins. The high level of interest rates was also an adverse factor.

It was too early to make any meaningful forecast for the year

### DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Cere. of div.	Total last year	Total
AB Foods	2nd int. 2.3	Sept. 1	1.7	3.4	2.9
Hyveonmitchell G.M.	1981	Aug. 1	65	285	105
N. Brown Invest.	2.5	—	1.68	2.33	2.51
Calfryn	4.8	July 31	2.6	6.8	6.8
Clyde Brown	0.83	July 25	0.83	—	4.56
Durham Road's Beag int	1981	Aug. 1	40	—	158
East Rand Pty. Ltd. int.	1978	Aug. 1	10	—	100
W. L. Pawsen	1.95	—	1.69	3.15	2.29

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡Not less than maintained total forecast. §Included special payment of 0.314p. ¶South African cents throughout.

but the Board was continuing to pursue tight control over cash resources and to minimise all costs while maximising production against an improving order position, Mr. Martin added.

## Jenkin & Purser back after seven years of suspension

BY ALAN FRIEDMAN

DEALINGS began yesterday under Rule 163 (2a) in shares of Jenkin & Purser, a tiny financial services company whose shares had been suspended since April 1973. It has been a long wait for loyal shareholders since the "temporary suspension" and seven years ago when the group announced "major transactions on favourable terms which will be of benefit to the company in both the short and long term" were pending.

The shares were suspended at 37p, giving Jenkin & Purser a 1973 market capitalisation of £1.5m. But when trading started yesterday morning, the 5p ordinary shares opened at 3p and closed at 5p, giving the company a 1980 market capitalisation of £207,287 on ordinary traded shares (£541,287 including an extra 11.1m non-traded 3p ordinary shares).

The 5p share price was quite a premium since the long and dark days of the 1970s suspension when foreign shareholders exchanged small numbers of shares for as little as 1p and not much more than a penny.

Mr. Ted Pryor, a stockbroker who helped to breathe life into the company and is now on its board, says that the net asset value per share is about 1p.

Jenkin & Purser was once an alpine motorcycle dealer, but by the early 1970s it had been turned into a financial group under the guidance of barrister-chairman Mr. Anthony Towner. Subsequent to the freezing of the shares in April 1973, Mr. Towner sold out his stake in the group and left the Board.

The secondary banking crisis

caught Jenkin & Purser off guard and it went into loss throughout the mid-1970s. In December 1977, with only one director left on the Board, Messrs. Ted Pryor and Ron Brickley agreed to take over management responsibility and became directors.

Says Mr. Pryor: "I reckoned that this was a good situation for us to revive from the dead, so we got going."

By August 1978, Mr. Brickley as chairman had arranged for a cash injection of £15,000 for some 500,000 3p ordinary shares issued at par to the private Barrow House Investments. Barrow House also received a bonus of 10.6m further 3p shares for free, giving it a total of 11.1m shares. Barrow House was designated "ultimate holding company" and work progressed on getting the business restarted.

Mr. Pryor explains: "As we carried out our investigation, it became apparent that the company was in a pretty powerless state."

Turnover for the year to July 1978 was £471. In the year to July 1979 this figure came to £24,000 and pre-tax profits were £13,571. This year, the company may earn around £25,000 pre-tax on a significantly higher turnover.

Jenkin & Purser now specialises in HP for the "top end of the motor market" and also provides factoring and banking services to its customers as well as broad financial consulting services.

Mr. Pryor says he is pleased with the opening day's perform-

ance and expects the company to expand its business. Trading among the company's 1,400 shareholders yesterday was reported to have been light.

## British Tanners' products wound up

British Tanners' Products, which has been in receivership since last July, was compulsorily wound up in the High Court yesterday.

The winding-up order was made by Mr. Justice Vinelott on an unopposed petition by the National Enterprise Board, claiming £2,008,167. The petition was supported by BOC, creditors for £22,680. BTP was not represented.

BTP was set up in 1977 by the Barrow Hepburn Group and the NEB to rationalise Barrow's loss-making tanning division. The NEB injected £4.5m into the company, in which it took a half interest.

After BTP collapsed last year the company was broken up and the bits sold off to a range of buyers, one being S. and W. Beristford, the commodity trader and merchant, which bought a tannery operation at Hull. BTP's chemical division was sold to British Tar Products.

One of BTP's secured creditors was the Department of Industry, which lent the company £1.9m, of which £1.5m was still outstanding when the receivers were called in.

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Crouch Group Limited



## Pawson reaches £906,000 and steps up dividend

RECORD pre-tax profits of £906,047 are reported by W. L. Pawson and Son, the Leeds clothing and retail group, for the year to March 31, 1980. In the previous 53-week accounting period, pre-tax profits were £447,550. In the first 26 weeks, profits were £310,515 compared with £142,259 for 26 weeks.

The pre-tax figure was struck after depreciation up from £130,587 to £423,912 and interest considerably higher at £389,078 compared with £183,095.

Tax charged increased from £65,161 to £173,450. After extraordinary ordinary dividends of £21,523 (£25,385), net profits came out at £15,774 (£296,994).

The company reports a surplus arising from valuation of property of £539,759 (£203,034).

The final dividend of 1.85p (1.6814p) brings the total net payment to 3.15p per 5p share, equivalent to 4.5p gross, as indicated last July.

Shareholders' funds increased during the year from £2.61m (£2.3p per share) to £6.2m (£3.47p).

Turnover was up from £5.96m in the 53-week period to March 3, 1979, to £20.05m in the year to March 31, 1980. Results and turnover of Silhouette are included for only the six months since acquisition.

Mr. S. J. Woolf, the chairman, says that despite a depressed textile industry, the Board believes that the group will continue to grow, both organically and through acquisitions, in the current year.

It takes an unusual company to re-allocate operating profits and halve attributable earnings in the same year, yet this is the distinctive accomplishment of Pawson. The Cheshire Cat style disappearance of profits is attributable in part to a technical change in the depreciation policy applied to the recently acquired Silhouette. Mostly, however, it arises from the high cost of borrowing, which has driven interest charges sky-high and forced extensive closures, mostly at Silhouette. Gearing at Pawson is now around 100 per cent, a seasonal peak, following a bewildering string of acquisitions. Even a run down in borrowings is unlikely to restore proportions, yet the group is still considering further acquisitions—if assets can be bought at a discount. There is a potential in some of the new divisions but digestion problems are likely to persist and interest charges will remain at alarming levels. The market has accordingly adopted a cautious stance with the shares at 41p offering a multiple of 4.7 times stated earnings (before extraordinary items). The dividend cover is

### BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are imminent. Dates and the subdivisions shown below are based mainly on last year's timetable.

**TODAY**  
Interim—Archimedes Investment Trust, Bankers Investment Trust, East Orient Investment Gold Mining, Elson and Robbins, Grand Metropolitan.  
Final—Aldo, Huddell, Allied Breweries, Dornier Gold Mining, Highgate Optical and Industrial, International Timber, Kioof Gold Mining.

**FUTURE DATES**  
Interim—June 20  
Imperial Group June 10  
Sidlaw Industries June 13  
Final—June 18  
Alliance Investment June 18  
Brown Shipley June 12  
Cohen (A) June 12  
Dewk Group June 12  
E.R.F. June 18  
Pauls and Whites June 27  
Scapa June 13  
Woodhead (Jones) June 13

respectable and the yield is 11.5 per cent.

### Hill Samuel bonus rate unchanged

An unchanged reversionary bonus rate of 44 per cent of the sum assured and attaching bonuses has been declared by Hill Samuel Life Assurance for the year ended March 31, 1980. This rate applies to all with profit whole life and endowment assurance contracts, including the flexible endowment, the low cost endowment and the company's new Minimum Cost Whole Life Plan.

This latest life assurance contract from Hill Samuel Life, offers investors the opportunity of providing a high level of life cover at low cost with the opportunity for increasing returns over the later life of the contract. It consists of a combination of a with profits whole life assurance with a decreasing term assurance to age 75.

## First international fund from Royal Bank of Canada

The Royal Bank of Canada, the largest bank in Canada, has launched the first of what it expects will be a series of offshore funds for international investors. The new fund, RBC International Income Fund, is incorporated in Guernsey, Channel Islands and application for a listing of the shares has been made to the London Stock Exchange.

The launch brings together RBC Investment Managers, a subsidiary of The Royal Bank of Canada, and UK stockbrokers Kitcat and Aitken who will be providing investment advice. Kitcat are brokers to the new company. Kitcat also manages the unit trusts Bishopsgate Progressive, North American and Bishopsgate International.

The new fund, whose shares are denominated in S.U.S., is designed to appeal to international investors. Its aim is to achieve a high income by investing without restriction on an international basis, though initially the managers expect at least 75 per cent of the proceeds to be invested in UK Government stock.

The managers say they are aiming to cash in on what they see as a pool of international money looking for sound money management. Given the reduction in income tax levels, particularly in the UK, there is, they feel, a place for high yielding securities in many people's portfolios.

Although the fund will initially concentrate on bonds, "circumstances may in the future dictate a policy where income requirements can be more satisfactorily met through investment in preference shares or equities."

Mr. N.W. Taube, senior partner of Kitcat and Aitken, said that the fund's managers would be trying to insulate investors against movements in currencies. "Interest rates and currencies are now inseparable," he said.

"As a result we will be taking advantage of the forward facilities of the foreign exchange markets. Our initial holdings of British gilts will, for example, be covered against the currency risk."

The initial yield of the fund has been set at 10 per cent and while the prime objective of the fund is to produce a growing income "long term appreciation of capital values will also have to be achieved to meet the prime objective."

Royal Bank said it planned to launch other funds, notably a North American fund and an International Equity Fund, later in the year.

The initial subscription price for the international income fund will be \$10.10 per share, which includes a 1 per cent initial charge. After the initial offer has closed, however, this will rise on a graduated basis up to a maximum of 5 per cent for subscriptions of under \$35,000. The annual management fee is 1 per cent and the minimum subscription \$2,000 or £1,000.

Although it is not normal practice, a number of offshore funds are already quoted on the London Stock Exchange. Mr. Taube explained that counsel had suggested that a quote was necessary for the fund to be offered to UK clients. The quote, he added, also gave the Royal Bank certain advantages in marketing overseas.

### LMI-WINN

London and Midland Industrials states that the meetings of the holders of the 74 per cent debenture stock 1985-90 and the 84 per cent debenture stock 1989-94 of Winn Industries approved the exchange of these stocks for equal nominal amounts of a new 84 per cent debenture stock 1989-94 of LMI. New certificates will be sent out in due course.

## Second-half dive leaves Caffyns £0.31m lower

SECOND-HALF profits of Caffyns, automobile agent and engineer, dived from £379,838 to £80,194, leaving the pre-tax surplus for the year to March 31, 1980, well down at £603,832, against £911,466.

The full-year figure was struck after sharply higher interest and display charges of £101m (£142,335). The directors had warned at midway, when profits were marginally ahead at £545,638 (£531,637), that the second half would be difficult with interest rates at the highest level the company had ever experienced.

Turnover improved from £46,04m to £51,87m for the year. The net total dividend is maintained at 6.5p, with an unchanged final of 4.6p. Tax took £82,566 (£142,969), and the attributable balance came through at £725,602 (£913,850), after extraordinary credits of £184,335, compared with £145,353.

### comment

BL distributor Caffyns maintained its sales in the second half but interest charges soared and profit all but disappeared. Although at their 1980 low of 12p, the shares trade at 8.1 times earnings of 14.5p. The market seems little interested.

in the assets whose value has probably increased slightly from the 285p a share in the books last year and much more in reality. Trading in the first half of the current year is still deteriorating but the group plans to reduce its £3.5m overdraft through further property sales and stock reductions. The yield is 8.2 per cent.

## Torday slightly ahead

PRE-TAX PROFITS of Torday, electroplater, showed a modest improvement from £806,000 to £832,000 in the year to December 31, 1979.

Mr. J. Torday, the chairman, says it was an uneven year for the group. The first half saw all round progress, but in the second half it experienced technical problems, cost increases due to inflation and a reduction in the sterling equivalent from overseas operations following the strengthening of the pound.

Turnover of wholly-owned sub-

idiaries increased by 17.5 per cent to £4.71m.

After a tax credit of £73,000 (£210,000 charge), stated earnings per 10p share of this unquoted company improved from 38.3p to 58.8p, and the final dividend of 6p raises the total from 10p to 10.6p. Shares are traded on The Over-the-Counter market.

The bursting disc division had a year of continued growth, says the chairman, and a great deal of effort was expended on new product development, including the strengthening of its graphite disc activities. The group is now manufacturing explosion panels.

Worldwide activities in marine engineering have grown significantly in volume without a growth in profits due to adverse currency effects.

The electroplating activities have further benefited from reorganisation and modernisation and yielded appreciably better results, he says. Although demand for copper foil has been strong, the results were adversely affected by manufacturing problems in the second half of the year, caused by stretching its production facilities ahead of the planned extension.

Construction of the new extension of production facilities has begun and should be partly on stream towards the end of 1980.

Looking ahead, the chairman says the company will continue to use every opportunity to improve its performance by increased sales penetration, new or improved products and better service to its customers.

Secured bank borrowings were up from £14,945 to £185,554.

### JEAN SORELLE

Jean Sorelle, a member of the Dunbee-Comber-Max Group in receivership, is returning to five-day working this week. Mr. Ralph Stevens, managing director, said this followed a substantial display of confidence and placing of orders by major customers.

## ICI Australia earnings 36% higher at interim stage

NET PROFITS of ICI Australia climbed by 36 per cent from £21.64m to £29.51m for the half year ended March 31, 1980, on sales up some 31 per cent at £58.173m. The major contributors to the increased result came from the heavy chemicals, plastics and rural chemicals activities, although all sectors of the business made an improvement.

On capital increased by a one-for-three scrip issue, the interim dividend is six cents per share, equivalent to eight cents on old capital. This compares with seven cents last year, which was followed by a final of 11 cents.

Profits were struck after a lift in depreciation of more than 50 per cent from £14.87m to £22.52m, resulting from last October's £128m revaluation of fixed assets to allow for the effects of inflation on replacement costs.

Interest charges rose from £7.95m to £11.14m, reflecting the group's large expansion programme. It plans to spend at least \$1bn over the next few years with a \$400m expansion of its Sydney chemicals complex and a new \$500m chemicals complex in Victoria.

Tax increased from £13.49m to £17.56m despite a jump in the

investment allowance from \$0.9m to \$6.29m. Minorities took \$3.14m (\$3.82m) and extraordinary profits were \$184,000 (\$208,000). Earnings per share, on the increased capital, improved from 15.5 cents to 15.9 cents.

Demand for most plastics, heavy chemicals and rural chemicals increased, but commercial explosives sales were affected by industrial unrest in the Queensland and Western Australian mining areas and by cyclones in Western Australia.

Paint demand in the period was mixed but overall Dulux Australia sales and profits outstripped those of last time.

The fibremakers division continued to make profits despite some recent hesitancy in market demand for synthetic fibres. The directors say imminent Australian Government decisions on long-term support for the textile, clothing and footwear industries will be of great importance to this division.

The New Zealand division maintained its higher sales and profits levels, but the recent New Zealand Government decision to withdraw support for synthetic fibre manufacturers will have a serious impact.

The closure of ICI New Zealand's yarn processing division in Wellington has already been announced and the directors say the full effect of the decision cannot yet be estimated.

### M. J. H. Nightingale & Co. Limited

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1979-80	Company	Price	Change	Div (p)	Gross Yield %	P/E
High	50 Alreppung	82	—	6.7	10.8	3.71
Low	50 Armittage and Rhodes	32	—	3.8	11.9	2.11
	285 Baydon Hill	28	—	12.8	4.5	8.31
	100 78 Century Cars 10.7% Pt.	78	—	15.3	19.6	—
	101 13 Deborah Ord.	90	—	6.0	6.6	5.9
	125 88 Frank Horrell	117	—	7.9	7.3	—
	128 92 Frederick Parker	104	—	12.8	13.9	4.21
	151 102 George Blair	104	—	15.5	15.8	—
	76 45 Jackson Group	75	—	6.0	8.0	2.91
	163 104 James Burroughs	104	—	7.2	6.9	8.1
	300 242 Robert Jenkins	300	—	31.3	10.4	8.61
	223 176 Torday	223	—	15.1	6.4	5.81
	34 111 Twinklark Ord.	14	—	12.0	15.8	—
	80 70 Twinklark 12% U	70	—	2.6	5.4	10.2
	55 23 Unilock Holdings	48	—	4.4	4.8	6.0
	50 46 Unilock Holdings New	48	—	4.4	4.8	6.0
	59 42 Walter Alexander	91	—	12.1	5.8	3.41
	210 136 W. S. Yates	210	—	12.1	5.8	3.41

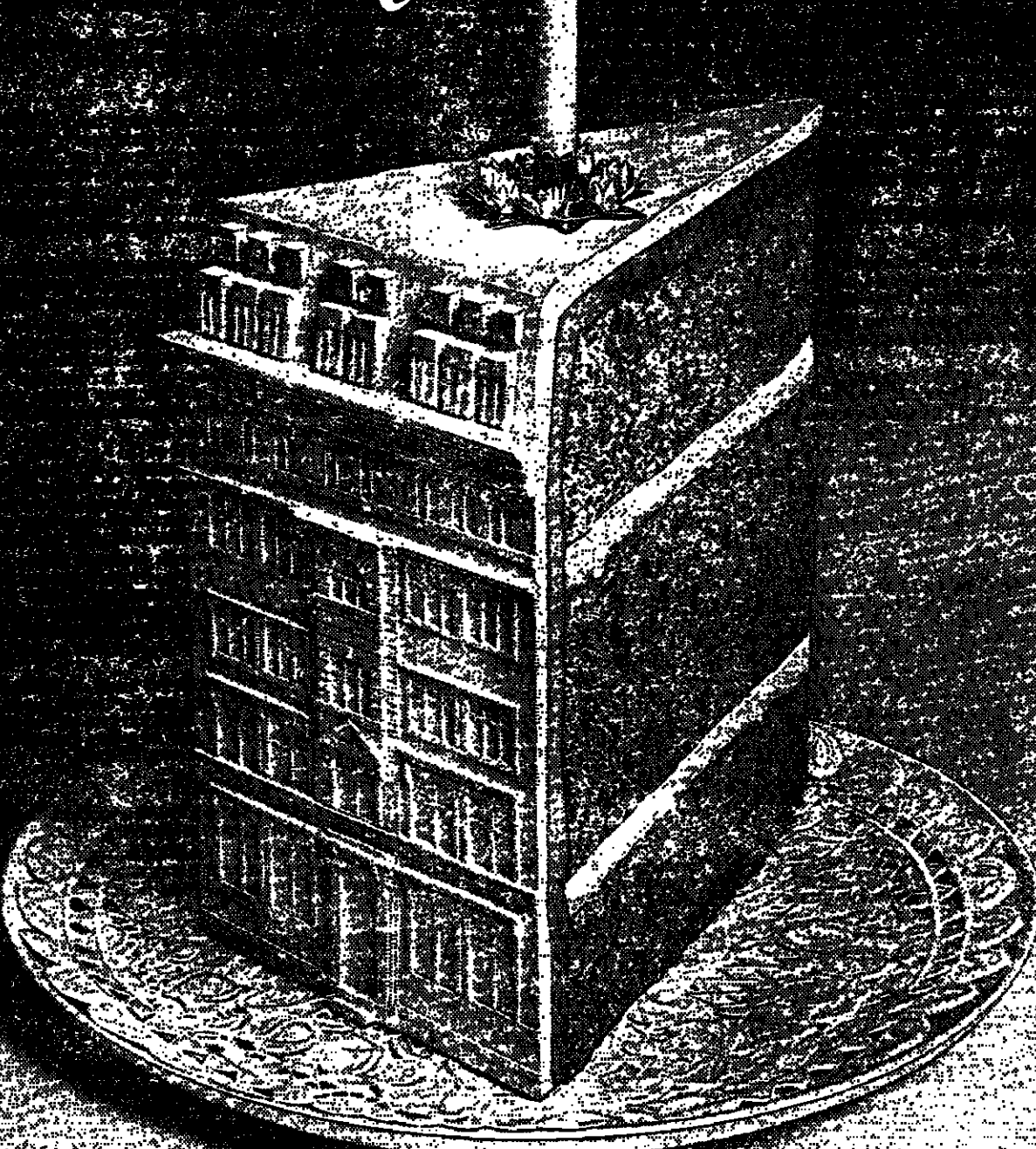
## THE LAIRD GROUP LIMITED

Points made by the Chairman, Sir Ian Morrow, at the Annual General Meeting on 9th June 1980

1. In 1979 Group profits outside steel rose from £9 million to just under £13 million before tax.
2. Group stockholders' funds should recover in 1980 from the setback in 1979 which followed from the decision to close The Patent Shaft Steel Works.
3. The compensation of £3.75 million for the nationalisation of Scottish Aviation represents a surplus of £1.8 million over book value.
4. The cash position is strong and the Group is actively seeking to broaden its base and develop its existing activities.

At the Meeting the recommended final dividend for 1979 of 1.7p per Ordinary Stock Unit was approved, making a total dividend for 1979 of 3.4p (1978 2.71p). The final dividend will be paid on 16th June 1980.

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Mercantile House Holdings Limited,  
66 Cannon Street, LONDON EC4N 6AE.



This document contains particulars given in compliance with the Regulations of the Council of The Stock Exchange in London for the purpose of giving information with regard to RBC International Income Fund Limited ("the Fund"). The Directors of the Fund have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein, whether of fact or opinion. All the Directors of the Fund accept responsibility accordingly. Application will be made to the Council of The Stock Exchange in London for all the Participating Redeemable Preference Shares of \$0.01 each (the "Participating Shares") now being offered to be admitted to the Official List. A copy of this prospectus, having attached thereto the documents specified herein, has been delivered to the Registrar of Companies in London for registration pursuant to the Companies Act 1948.



# RBC INTERNATIONAL INCOME FUND LIMITED

(A company limited by shares incorporated in Guernsey, Channel Islands under the Companies (Guernsey) Laws, 1908 to 1973)

## OFFER FOR SUBSCRIPTION

### of up to 10,000,000 Participating Shares at U.S. \$10.10 per Share

The subscription lists for the shares now being offered will open at 10.00 a.m. on 16th June, 1980 and will close on 20th June, 1980.

#### IMPORTANT

The consent of the Advisory and Finance Committee of the States of Guernsey has been obtained to the issue of Participating Shares of U.S. \$0.01 each in the Fund. It must be distinctly understood that in giving this consent the Committee does not take any responsibility for the financial soundness of the Fund or for the correctness of any statements made or opinions expressed with regard to it.

This document is issued solely for the purpose of the initial offer for subscription of up to 10,000,000 Participating Shares. Copies of any later prospectus will be available from the Managers and the brokers. No dealer, salesman or other person is authorized to give any information or to make any representations other than those contained in this prospectus and, if given or made, such information or representations may not be relied upon as having been authorized by the Fund, its Directors or the Managers. This prospectus does not constitute an offer or solicitation to anyone in any jurisdiction outside the United Kingdom in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. In particular, Participating Shares and Redeemable Preference Shares ("RDPS") are not offered to and will not be issued to any citizen or resident of the United States of America or any resident of Canada.

In this Prospectus "dollars" and "\$" mean United States dollars.

#### COPIES OF THIS PROSPECTUS AND THE APPLICATION FORM MAY BE OBTAINED FROM:-

The Royal Bank of Canada (Channel Islands) Limited,  
P.O. Box 48, St. Julian's Avenue, St. Peter Port,  
Guernsey, Channel Islands. Tel: 0481 23021

The Royal Bank of Canada (London) Limited,  
107 Cheapside, London, EC2V 6DT.

The Royal Bank of Canada,  
6 Lombard, London, EC2R 7JY.

The Royal Bank of Canada,  
2 Cockspur Street, London, SW1Y 5BQ.

Kilcat & Aitken,  
9 Bishopsgate, London, EC2N 3AD.

#### DIRECTORS

ROBERT COWAN PATTERSON (Canadian), Chairman  
621 Belmont Avenue, Westmount, Montreal (Executive Vice President and General Manager, Finance and Investments, The Royal Bank of Canada)

TIMOTHY JOHN HILLEY (British),  
Mon Plaisir Lodge, Robin, St. Peter Port, Guernsey (Managing Director, The Royal Bank of Canada (Channel Islands) Limited)

PETER WILLY LOUIS BRAUNS (German),  
56 Hans-Sachs-Strasse, 4000 Düsseldorf, West Germany (Managing Director, Burgard + Nottebohm Bank AG, Frankfurt, West Germany)

ALEXANDER DETAKACSY (Canadian),  
37 Avenue D'Iona, 75116 Paris, France (Vice-President and General Manager, Europe, The Royal Bank of Canada)

BRIAN GEORGE FEARMAIN (British),  
The Royal Bank of Canada, Jersey (Advocate of the Royal Court of Jersey, Director, The Royal Bank of Canada (Channel Islands) Limited)

#### RBC INTERNATIONAL INCOME FUND LIMITED

MANAGERS, SECRETARIES & REGISTRARS  
RBC Investment Managers Limited, P.O. Box 246, Ann's Place,  
St. Peter Port, Guernsey, Channel Islands.

REGISTERED OFFICE  
P.O. Box 246, Ann's Place, St. Peter Port, Guernsey, Channel Islands.

BANKERS & DEPOSITARY  
The Royal Bank of Canada (Channel Islands) Limited, P.O. Box 48,  
St. Julian's Avenue, St. Peter Port, Guernsey, Channel Islands.

AUDITORS  
Coopers & Lybrand, Chartered Accountants, Abchurch Chambers,  
Smith Street, St. Peter Port, Guernsey, Channel Islands.

INVESTMENT ADVISERS AND STOCKBROKERS  
Kilcat & Aitken, 9 Bishopsgate, London EC2N 3AD.

LEGAL ADVISERS  
In Guernsey: Langlois & Co., P.O. Box 95, 7 New Street,  
St. Peter Port, Guernsey, Channel Islands.  
In England: Allen & Overy, 9 Cheapside, London EC2N 6AD.

#### INTRODUCTION

The Fund is an open-ended investment company incorporated in Guernsey, Channel Islands, with limited liability on 22nd May, 1980. Up to 10,000,000 Participating Shares are being offered for subscription at \$10.10 per share. The Fund is aware that investors introduced by the Royal Bank of Canada Group or by Kilcat & Aitken intend to subscribe for not less than 300,000 Participating Shares. The capital structure of the Fund allows it to issue and redeem Participating Shares at prices based on the underlying net asset value of the Fund and it is thus intended to operate in a similar way to a mutual fund or unit trust.

Participating Shares will be freely transferable and will be redeemable by the Fund on the basis of its net asset value on regular subscription days, usually once a week. The redemption value of Participating Shares is determined by reference to the value of the Fund's investments and will therefore be subject to market fluctuations. Participating Shares are denominated in dollars and are represented by registered certificates, but arrangements have been made for the issue of Redeemable Preference Shares as described below under "Redeemable Preference Shares".

The primary objective of the Fund is to offer investors an opportunity to achieve a high income denominated in dollars through the investment of its capital in an international portfolio of securities. The abolition of United Kingdom exchange controls has given United Kingdom investors free access to foreign markets; the Fund provides a vehicle for such investment free from the complexities of investing directly in overseas markets.

The Fund is sponsored by The Royal Bank of Canada (Channel Islands) Limited ("the Bank") which was incorporated in Guernsey in 1973 and carries on a full banking and trust service for international and domestic clients. It is a wholly-owned subsidiary of The Royal Bank of Canada, whose Head Office is in Montreal. The Royal Bank of Canada is the largest bank in Canada and has assets of over Cdn \$51,000 million; it is also represented in over 40 other countries. Guernsey has been chosen as the location for the Fund because of the favourable tax structure there and the island's long history of political and social stability.

#### INVESTMENT POLICY

The Fund's objective is to achieve a high income for investors by investing without restriction in bonds, stocks, preference shares, equities and money instruments on an international basis. The protection of capital values by appropriate currency selection will be an important part of this policy. Investments carrying an income subject to low or nil rates of withholding tax will be preferred. In the present circumstances of historically high yields from international bonds, it is intended to invest the greater proportion of the Fund's assets in this class of security, but circumstances may in the future dictate a policy where income requirements can more satisfactorily be met through investment in preference shares or equities.

Whilst the prime objective is that of producing a growing income payable in United States dollars, the value of the Fund's investments will fluctuate and this will affect the value of the Participating Shares. However, in the long term appreciation of capital values will also have to be achieved in order to meet the prime objective. This will involve an initial sacrifice of some immediate income to a means of capital appreciation but it is intended that, subject to unforeseen circumstances, the income distribution in respect of the first twelve months would be in the order of 10 per cent. of the initial subscription price.

#### DIVIDENDS

The Fund intends to distribute half-yearly by way of dividend substantially all the income it receives after payment of its management and other expenses. The Fund will not distribute capital profits by way of dividend. Dividends will be paid in dollars, or, at the election of individual shareholders, in sterling converted from dollars at the rate quoted by the Bank for the purchase of sterling with dollars on the relevant payment date.

Dividends may be taken in cash or reinvested by shareholders in further Participating Shares. Shareholders may at any time elect for the income from their Participating Shares to be reinvested in further shares on the subscription day next following the date on which the relevant dividend is payable. For administrative convenience, shares so allotted will be registered in the name of the Managers as nominee for the shareholder. Only whole shares will be issued and any fractional amounts will be carried forward and added to the next dividend and reinvested similarly. Following the reinvestment of income shareholders will be advised of the number of shares acquired and held on their behalf by the Managers together with the amount of any cash balance carried forward.

Payment of dividends to holders of RDPS (see below) will be made against presentation of the relevant coupon to the Bank in Guernsey or to paying agents appointed by the Bank. BDR holders will not be entitled to have dividends reinvested in further shares as described above.

#### MANAGEMENT AND ADMINISTRATION

##### Directors

Mr. R. C. Patterson, aged 52, is the Chairman of the Fund. He is the Executive Vice President and General Manager, Finance and Investments, of The Royal Bank of Canada at its head office in Montreal. In addition, he is President of Rymor Mortgage Corporation.

Mr. T. J. Hilley, aged 44, has been Managing Director of the Bank since 1973. He was previously concerned with investment and mutual fund management with Trust Corporation of Bahamas Limited, Nassau.

Mr. P. W. L. Brauns, aged 50, is the Managing Director of Burgard + Nottebohm Bank AG, Frankfurt. He is also a Director of Universal Investment GmbH, Frankfurt and a member of the advisory boards of Union Investment GmbH and Victoria and Vorseger Vermögensberatung.

Mr. A. de Takacsy, aged 50, is Vice President and General Manager, Continental Europe, of The Royal Bank of Canada and President of the supervisory board of The Royal Bank of Canada, France. In addition, he is Chairman of the supervisory board of Burgard + Nottebohm Bank AG and a Director of Banque Belge Pour l'Industrie, Brussels.

Mr. B. G. Fearmain, aged 32, is an Advocate of the Royal Court of Jersey and a partner in Bedell & Cistin, Jersey. He is also a Director of the Bank.

##### Managers

RBC Investment Managers Limited which has recently been incorporated in Guernsey is a wholly-owned subsidiary of the Bank. The Fund has appointed the Managers, under the terms of a Management Agreement dated 5th June, 1980 and subject to the overall supervision of the Directors of the Fund, to administer the Fund's affairs including the investment and redemption of the Fund's assets and the issue and redemption of the Fund's shares. They will also provide the necessary secretarial services for managing the Fund's affairs and will act as transfer agents.

The Directors of the Managers are Mr. R. C. Patterson, Mr. T. J. Hilley, and Mr. B. G. Fearmain (who are also Directors of the Fund), Mr. N. O. Taube and Mr. J. J. Morris. Mr. Taube, aged 51, is Senior Partner of Kilcat & Aitken and is a Director of a number of quoted United Kingdom investment trust companies. Mr. Morris, aged 29, has been concerned with the management and administration of unit trust operating expenses as an Executive Director of Bishopsgate Progressive Unit Trust Management Company Limited until his appointment as Managing Director of the Managers last February.

##### Investment Advisers

Kilcat & Aitken, a leading firm of London Stockbrokers, have been appointed investment advisers to the Managers. They have undertaken to keep the Fund's investments under regular review and to provide the Managers with advice on the investment and general deployment of the Fund's assets. Their remuneration as investment advisers will be paid by the Managers. Kilcat & Aitken will not make any charge to the Fund for the provision of investment advice but will act as principal brokers to the Fund and they will receive normal commissions in connection therewith from the Fund.

Kilcat & Aitken were founded in 1900 and have considerable experience in managing private portfolios and in advising institutional investors investing in a wide range of international markets. They are recognised as being particularly knowledgeable in North American investments. Kilcat & Aitken own and advise Bishopsgate Progressive Unit Trust Management Company Limited, which manages two United Kingdom authorised unit trusts. They also act as investment advisers to a Bermuda based unit trust.

##### Fees and Charges

###### Charges payable by Subscribers

The subscription price of \$10.10 for each Participating Share under this initial offer for subscription is inclusive of an initial fee of 10 cents per Participating Share payable to the Managers. From this initial fee the Managers may pay commissions to recognised agents of up to 10 cents per Participating Share.

On the subscription of Participating Shares after the subscription lists for this initial offer have closed, an initial charge may be made by the Managers in addition to the subscription price. The amount of the initial charge will be a percentage of the amount subscribed as follows: 5 per cent. of the first \$25,000, 4 per cent. of the next \$25,000, 2 per cent. of the next \$100,000 and 1 per cent. of any excess. From this initial charge the Managers may pay to recognised agents a commission of up to 2 per cent. of the subscription price.

The fees payable to the Bank by subscribers who elect to receive BDRs are set out below.

###### Management and Administration Charges payable by the Fund

The Managers will receive from the Fund a monthly fee of 1/12th of one per cent. of the value of the net assets of the Fund as calculated for the purpose of determining the subscription price. The Fund is responsible for all normal operating expenses, including audit fees, registration fees, brokerage, stamp and other duties and charges incurred on the acquisition and realisation of investments. In addition, the formation expenses of the Fund and the expenses relating to this initial issue of Participating Shares will be paid by the Fund and will be amortised over a period of five years from the date of the closing of this offer.

#### ISSUE AND REDEMPTION OF PARTICIPATING SHARES

##### Issue

The procedure for application for the initial issue of Participating Shares is set out below under "Applications".

After the closing of this initial offer, Participating Shares may be issued at the appropriate subscription price plus the initial charge payable to the Managers on each subscription day (normally every Wednesday). The subscription price is calculated by reference to the net asset value of the Fund on the subscription day as described under Further Information, paragraph 5(b).

##### Redemption

On each subscription day Participating Shares may be redeemed at the current redemption price. This is calculated by reference to the net asset value of the Fund on such subscription day as described under Further Information, paragraph 5(b).

In order to redeem all or part of his holding of Participating Shares, a shareholder must notify the Managers not later than 12 noon on the business day prior to the relevant subscription day. Any application received after that time will be held over and dealt with on the next subscription day. Unless otherwise directed by the Managers, notice is given by delivery of the share certificate(s), duly endorsed, to the Managers together with a request in writing or by telex. Unless the number of Participating Shares is specified, a redemption request will be taken to apply to all the Participating Shares held or represented by the certificate(s) received.

Redemption proceeds will be despatched by the Managers within fourteen business days of the relevant subscription day, provided that duly endorsed certificates are received, and will be sent by mail at the shareholder's risk by cheque drawn in dollars or, at the shareholder's request and expense, by other means.

Redemptions of Participating Shares may also take place or be suspended in the circumstances mentioned under Further Information, paragraphs 4 and 5.

Subscription and redemption prices will be published daily in the "Financial Times" and will also be available from the Managers on request.

##### Equalisation and accrued income payments

To avoid fluctuations in the Fund's net undistributed income as a result of the issue or redemption of Participating Shares at different times the subscription and redemption prices of Participating Shares will include equalisation amounts equivalent to the amount of income attributable to each Participating Share in issue or deemed to be in issue on the relevant subscription day. Equalisation payments are normally either repaid to shareholders with the first dividend paid after the issue of the relevant Participating Shares or, if still outstanding on the redemption of the shares or in a liquidation, are included in the proceeds as an accrued income payment.

##### REDEEMABLE PREFERENCE SHARES

The Fund has arranged facilities for the issue by the Bank of BDRs against the deposit with the Bank of registered Participating Shares on the terms summarised below.

Any holder of Participating Shares (other than those resident in Guernsey) may apply for the issue of BDRs evidencing all or part of his registered shareholding. However BDRs will only be issued in denominations of one hundred corresponding to an equivalent number of Participating Shares. BDRs will be issued in bearer form, with coupons and talon attached, and will be transferable by delivery.

Subscribers who wish to apply for BDRs should apply and send their remittance for Participating Shares as described under "Applications", ticking the appropriate box on the Application Form. They will then be sent a separate BDR Application Form for completion and return to the Managers.

It is not presently envisaged that any listing on The Stock Exchange, London or any other stock exchange will be sought for the BDRs.

##### TAXATION

The Fund's liability to Guernsey taxation is limited to corporation tax, currently at a fixed rate of 300 per cent. The Administrator of Income Tax in Guernsey has confirmed that income of the Fund arising outside Guernsey (and bank interest arising in Guernsey) is exempt from Guernsey income tax and that dividends of the Fund may be paid free of any withholding taxes to shareholders not resident in Guernsey for Guernsey income tax purposes. No death duties, capital gains tax, gift, inheritance or capital transfer taxes are levied in Guernsey. No stamp duty is levied in Guernsey on the issue, transfer or redemption of Participating Shares or on the issue or transfer of BDRs.

Holders of Participating Shares resident in Guernsey for Guernsey income tax purposes will suffer deduction of tax on all payments of dividends and other income distributions by the Fund at the standard rate of Guernsey income tax for the time being in force.

Individuals resident in the United Kingdom for tax purposes who hold Participating Shares or BDRs will, subject to their personal circumstances, be liable to United Kingdom income tax in respect of dividends or other income distributions of the Fund. Individuals resident or ordinarily resident in the United Kingdom for tax purposes who hold Participating Shares or BDRs will normally be liable to United Kingdom capital gains tax in respect of gains arising from the disposal or redemption of Participating Shares or BDRs.

Clearance under section 464 of the Income and Corporation Taxes Act 1970 from the provisions of sections 460-467 of the Act (which provide for the cancellation of tax advantages from certain transactions in securities) has been given by the United Kingdom Board of Inland Revenue in relation to the issue and redemption of Participating Shares by the Fund, the purchase of Participating Shares from, and their sale to, the Managers and the purchase and sale of Participating Shares through The Stock Exchange, London. However, no clearance under Section 464 has been given, as regards persons resident in the United Kingdom, for the issue of BDRs.

The attention of individuals ordinarily resident in the United Kingdom is drawn to sections 478-481 of the Income and Corporation Taxes Act 1970, which may render them liable to taxation in respect of the undistributed income or profits of the Fund. It is understood that the United Kingdom Inland Revenue is considering the possible application of those sections to certain Channel Island funds the stated investment policies of which involve the minimisation of income. The Fund does not intend to pursue such a policy and, as stated above, intends to distribute substantially all its income.

The foregoing statements are based on advice received by the Fund regarding the law and practice in force in Guernsey and the United Kingdom on the date of this prospectus. Investors should consult their professional advisers on the potential tax consequences of subscribing for, purchasing, holding, redeeming or selling Participating Shares or BDRs under the laws of their country of citizenship, domicile or residence.

##### MEETINGS AND REPORTS

Holders of Participating Shares are entitled to attend and vote at general meetings of the Fund, which will normally be held in Guernsey.

Audited accounts of the Fund will be made up to the day preceding the first subscription day in November each year and it is expected to despatch the Annual Report and Accounts of the Fund to shareholders by the following 31st January. Interim reports will be sent to shareholders in July in each year.

##### TRANSFERS AND DEALINGS

It is anticipated that dealings in Participating Shares will commence on the 26th June, 1980. Participating Shares may be transferred by an instrument in writing in any common form and will be subject to registration. BDRs may be transferred by delivery.

##### APPLICATIONS

The initial subscription price is \$10.10 for each Participating Share (inclusive of the initial fee of 10 cents payable to the Managers). Applicants for Participating Shares will be required to provide a declaration that they are not resident in Guernsey for the purposes of the Income Tax (Guernsey) Law 1975 (as amended); if this cannot be given all payments of dividends will be made under deduction of Guernsey Income Tax at the standard rate for the time being in force. Applications should be accompanied by a remittance in dollars to RBC Investment Managers Limited to cover the full subscription price. The subscription lists will open at 10 a.m. on 16th June, 1980, and will close on 20th June, 1980.

Applications should be made on the application form enclosed with this prospectus. Applications must be for a minimum of 200 Participating Shares (\$2,020). Alternatively, applications may be accompanied by sterling cheques for a minimum amount of £1,000. Sterling payments will be converted into dollars at the rate quoted by the Bank for the purchase of dollars with sterling on the business day next following the closing of the subscription lists and any balance insufficient to purchase one whole Participating Share will be returned. Attention is drawn to the notes on the application form.

Acceptance of applications will be conditional upon the Participating Shares being admitted to the Official List by the Council of The Stock Exchange, London, by 20th June, 1980. Pending satisfaction of such condition subscription moneys will be held by the Bank in a separate account and if this condition is not satisfied subscription moneys will be returned.

Certificates representing the Participating Shares issued will be despatched within 28 days of allotment.

Investors (other than those resident in Guernsey) who wish to take advantage of the BDR facility should also tick therefor section on the application form. Persons resident in the United Kingdom should note that there is no longer any need for them to obtain authorisation under the Exchange Control Act 1947 for the acquisition of foreign currency or foreign currency securities.

The right is reserved to reject any applications in whole or in part.

#### Summary of Terms of Redeemable Preference Shares

BDRs will be issued pursuant to an Agreement dated 5th June, 1980 ("the Deposit Agreement") between the Fund, the Managers and the Bank. BDRs will represent Participating Shares deposited with the Bank under the Deposit Agreement ("Deposited Securities").

Copies of the Deposit Agreement are available for inspection at the office of the Bank in Guernsey. The following is a summary of certain of the provisions of the Deposit Agreement and is qualified in its entirety by reference to the Deposit Agreement.

##### Issue of the BDRs and Withdrawal of Deposited Securities

Upon the deposit with the Bank of Deposited Securities and subject to the terms of the Deposit Agreement, the Bank will issue and deliver BDRs at its office in Guernsey to the person specified by the depositor for the number of Deposited Securities so deposited.

Upon surrender to the Bank of BDRs, together with talon and all dividend coupons not previously designated for surrender attached, for the purpose of withdrawing the Deposited Securities and upon payment of the charges set out below out of any transfer or redemption proceeds, the surrendering BDR holder is entitled to delivery at the office of the Bank in Guernsey to him or upon his order of certificates in respect of the Deposited Securities. The forwarding of certificates elsewhere is at the risk and expense of the BDR holder.

##### Dividends and Other Distributions

The Bank will make any cash dividend or other cash distribution received from the Fund available for distribution to the holders of BDRs upon surrender to it of such dividend coupons as it shall designate at the office of the Bank in Guernsey or at the office of any paying agent appointed for the purpose by the Bank.

Whenever the Bank receives a dividend or other cash distribution in respect of the Deposited Securities, the Bank will, subject to applicable laws and regulations, make the securities or property received by it available for distribution to the holders of BDRs entitled thereto in any manner which the Bank deems equitable and practicable. It is, however, in the opinion of the Bank that a distribution cannot be made proportionately among the holders of the BDRs or if for any other reason such a distribution is not feasible, the Bank may adopt such method as it may deem equitable and practicable for the purpose of effecting such distribution, including the sale of such securities or property or any part thereof, and make such proceeds available for distribution to the holders of BDRs entitled thereto.

##### Voting the Deposited Securities

Holders of BDRs will be entitled to instruct the Bank, in accordance with the procedure (which may require the deposit of the BDRs or the holding of a dividend coupon) as to how they wish to exercise their right to vote in respect of the Deposited Securities. The Bank will endeavour, insofar as practicable and subject to any applicable provisions of law or of the Memorandum and Articles of Association of the Fund to vote the Deposited Securities in accordance with such instructions. In the absence of such instructions, the Bank may exercise such voting rights as it thinks fit in the interests of the holders of the BDRs without any responsibility or liability with respect to such action, other than in cases where the Bank has knowledge of any content to the action to be taken at the meeting or involving a matter or any other matter which may affect substantially the rights or privileges of applicable Deposited Securities.

##### Limitation of Liability under the Deposit Agreement

Neither the Bank nor the Fund nor any person acting as agent for the Bank will incur any liability to any holder of a BDR or, by reason of any provision of any present or future law or regulation of any country or of any other governmental authority or any Act of God or war or other circumstances beyond its control, the Bank or the Fund or such paying agent is released from all liability for the loss of or damage to or destruction of any BDR or for any loss of or damage to or destruction of any Deposited Securities. The Bank and the Fund and such paying agent will assume any obligation or be subject to any liability under the Deposit Agreement to holders of BDRs except that each of them will be liable to the holder of a BDR in the performance of such duties as may be imposed by the Deposit Agreement.

Neither the Bank nor the Fund nor any such paying agent shall be liable for any action or failure to act by it in reliance upon the advice or information from legal counsel, accountants, any person presenting securities for deposit, any holder of BDRs or any other person in connection with the performance of its duties under the Deposit Agreement. The Bank, the Fund and such paying agent may each rely and shall be protected in acting upon any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Bank shall not be responsible for any failure to carry out any instruction to vote any of the Deposited Securities, or for the manner or effect of any such vote, as long as any such action or failure to act is in good faith.

##### Resignation and Removal of the Bank as Depositary

The Bank may at any time resign as Depositary or be removed as Depositary by the Fund, such resignation or removal to take effect upon the appointment within 30 days thereafter of a successor depositary and its acceptance of such appointment in terms of the Deposit Agreement.

##### Amendment and Termination of the Deposit Agreement

All and any provisions of the Deposit Agreement may from time to time be amended by agreement between the Fund, the Managers and the Bank in any respect which they deem necessary or desirable, provided that any amendment which increases or imposes fees or charges on the Bank or which requires the Bank to incur any additional liability shall not become effective as to outstanding BDRs until the expiry of three months after notice of such amendment has been given to holders of outstanding BDRs. During this period of three months each holder of a BDR shall be entitled to obtain delivery of a certificate of deposit of a BDR in exchange for the BDR and to receive therefor, free of charge, each holder who continues to hold his BDR after such period shall be deemed to have agreed to such amendment.

The Bank shall, if so directed by the Fund, terminate the Deposit Agreement on 30 days notice. However the Bank may terminate the Deposit Agreement, if at any time 30 days shall have elapsed after the Bank has received notice of resignation and a successor depositary shall not have been duly appointed. If any BDRs remain outstanding after the date of termination of the Deposit Agreement, the Bank shall be deemed to have agreed to continue to deliver Deposited Securities and shall not perform any further acts under the Deposit Agreement except to continue to deliver Deposited Securities, together with dividends and other rights attaching thereto, in exchange for BDRs surrendered to the Bank. At any time after two years from the date of termination of the Deposit Agreement, the Bank may, by notice to the Fund, terminate the Deposit Agreement, without liability for damages, for the prior rate of interest of BDRs and not otherwise.

##### Changes of the Bank as Depositary

The Bank is entitled to make the following changes:-  
1. For the receipt of Deposited Securities and the issue of BDRs (including the issue of BDRs following redemption of part of a holding) \$10 per BDR (payable by the party to whom the BDRs are issued).  
2. For accepting a surrender of BDRs (including the surrender of BDRs on redemption of the whole or part of a holding) and delivery of Deposited Securities to the surrendering BDR holder, \$10 per BDR.  
3. For the payment of dividends 2 cents per dividend coupon per BDR (on the basis of two dividends in each calendar year) (payable by the party receiving the dividend).

##### Financial Information and Notices

Annual and half-yearly audited Reports and Accounts of the Fund will be available to holders of BDRs at the office of the Bank in Guernsey.  
All notices to holders of BDRs will be published in the Financial Times of London. Publication will be deemed to be effective on the date of publication in the Financial Times of London. Publication in the above newspaper should not be practicable.

##### Further Information

- Share Capital**  
(a) The authorised share capital of the Fund is \$100,000 divided into 100 Management Shares of \$1,000 each and 10,000,000 Undenominated Shares of \$0.01 each.  
(b) Management Shares have been created solely to comply with the laws of the Island of Guernsey so that Participating Shares may be issued to holders of BDRs. Management Shares carry one vote each on a poll, but do not carry any right to dividends and, in a winding-up, rank only for a return of paid-up capital (other than the return of paid-up capital on Participating and Nominal Shares). Management Shares are not redeemable.  
(c) Undenominated Shares carry a right to dividends declared by the Fund. Each share of Undenominated Shares will be entitled, on a poll, to one vote for each share held. In a winding-up, each Participating Share has a preferential right of payment of paid-up capital and a right to share in surplus assets after the return of paid-up capital on Nominal and Management Shares.  
(d) Nominal Shares can be issued and redeemed only at par and for the purpose of providing funds for the payment of the nominal amount of Participating Shares redeemed. Nominal Shares do not carry any right to a dividend, but do carry one vote each on a poll, but do not carry any right to dividends and, in a winding-up, rank only for a return of paid-up capital (other than the return of paid-up capital on Participating and Nominal Shares). Nominal Shares are not redeemable.  
(e) Participating Shares are not redeemable at par and for the purpose of providing funds for the payment of the nominal amount of Participating Shares redeemed. Participating Shares do not carry any right to a dividend, but do carry one vote each on a poll, but do not carry any right to dividends and, in a winding-up, rank only for a return of paid-up capital (other than the return of paid-up capital on Participating and Nominal Shares). Participating Shares are not redeemable.  
(f) All the Management Shares have been issued to the Managers. No other shares of the Fund have been issued.  
(g) No issue of Participating Shares other than those issued to the Managers will be made without the prior approval of the Council of the Fund.  
(h) The date hereof without the approval of the Fund in General Meeting, if 10 per cent. or more of the authorized share capital remain unpaid after the subscription made pursuant to this prospectus, no issue will be made other than that set out at full and complete subscription which would effectively alter the control of the Fund without the prior approval of the Fund in General Meeting.

##### 2. Variation of Class Rights











## MINING NEWS

Appeal for  
registry of  
UK mineral  
rights

THE CORNISH Chamber of Mines yesterday repeated its call to the British Government to simplify the procedures for obtaining working rights to minerals in this country. The Chamber, which includes among its members the main mineral producers in the South West, said that it does not seek the nationalisation of minerals, but favours instead the compulsory registration of all mineral rights.

The Chamber annexed to its annual report, published yesterday, a synopsis of a paper on minerals legislation which was sent to the CBI Minerals Committee more than five years ago. Talks between that committee and the Department of Industry are continuing.

The paper calls for the establishment of a minerals commission which would set up a register for mineral rights, take over all unregistered rights after a suitable period, grant exploration licences and mining leases on minerals vested in it, and arbitrate in disputes between owners and operators. The procedure recommended by this paper formed the basis of Mr. David Penhalligon's Private Member's Mineral Rights Bill, which recently failed to obtain a Second Reading in the House of Commons. The Government's reaction to the paper has been that the Mines (Working Facilities and Support) Act 1974 provides the means whereby a would-be operator may obtain authority from the High Court to explore for or work minerals.

The Chamber's answer to this is that this procedure may be useful as a means of bringing pressure on an unreasonably obstructive owner, but would be ineffective where, as in the majority of cases, the identity of the owner is not known.

The Chamber's view is that the High Court procedure required by the Act is so slow and costly that a mineral operator would prefer not to attempt it.

Elsewhere in the Chamber's annual report, the South West's potential annual production of tin concentrates is estimated at 5,000 tonnes, compared with a total for last year of 2,973 tonnes, with Gavor and South Crofty accounting for the bulk of this figure.

Gold supply up in 1979  
—less in 1980?

BY KENNETH MARSTON, MINING EDITOR

LAST YEAR'S dramatic rise in the price of gold—it started 1979 at \$228 per troy ounce and ended the year at \$326 before going on to reach a peak of \$350 in January of this year—was accompanied by a 9 per cent increase in supplies of the metal to the Western world market for the third year running, according to the Bank for International Settlements.

In its latest annual report the BIS estimates that total gold supplies to the West in 1979 amounted to 1,330 tonnes compared with 1,225 tonnes in 1978.

Of the total for 1979, mine production accounted for 935 tonnes (553 tonnes in 1978), estimated sales by communist countries 290 tonnes (450 tonnes) and net sales of Western official gold stocks of 605 tonnes (320 tonnes).

While South African gold production was little changed at 705.4 tonnes despite the milling of lower grade ore, there was a record output in North America, Spain and Papua New Guinea. In the last-named area the big Bougainville mine encountered a decline in ore grades.

The fall in world mine production and the reduction in communist sales of gold were more than offset by the sharp increase in the amount of gold auctioned by the U.S. Treasury, this rising to 412 tonnes from only 79 tonnes in 1978. The International Monetary Fund auctions provided 170 tonnes compared with 134 tonnes in 1978.

It is noted by the BIS that the advance in the gold price took place in terms of all currencies, including the U.S. dollar which was strengthening in world markets, and at a time when generally rising interest rates were making it more expensive to hold bullion.

Three main causes are listed by the BIS for last year's gold fever. They are: world inflation and a consequent weakening confidence in all major currencies; the effect of inflation on investment preferences of the oil-producing nations; and political worries prompted by the events in Iran and the Soviet invasion of Afghanistan.

Even so, the rise to a peak of \$350 in January of this year went too fast for the market and the price then boiled over to the extent that it dropped to \$275 before the end of March. One factor in this fall was the fear that the high gold prices would severely hit jewellery demand

which amounted to as much as 1,001 tonnes in 1978.

However, the price recovered to over \$300 in April and then consolidated in the \$300-\$350 region until last week when it suddenly broke into higher ground. It moved up to \$361 on Friday and advanced further to \$326 yesterday.

The latest revival contains the usual factors, such as continuing political tension in the Middle East and elsewhere and the prospect of even further rises in the price of oil, which make gold preferred to paper currencies.

This time two other factors have been put into the brew. They are the fall in the dollar and in U.S. interest rates which encourages buying of gold from that quarter and the effects on market sentiment of the recent bombings of oil installations in South Africa, the world's biggest producer of gold.

Is the gold price now embarking on a sustained advance? On the demand side, the one weakness in the important jewellery trade which so far this year has cut back its purchases heavily in the hope of lower prices.

Arguably, the demand from jewellers may now recover, the trade deciding that it cannot delay purchases indefinitely and that consumer resistance to the resultant high prices of gold articles may be tempered by the general level of inflation and

perhaps, by some reduction in the sizeable retail profit margins on jewellery.

On the supply side, the factors point to a reduction. Communist sales remain at a low level, while having completed its series of auctions the IMF would not be in a position to embark on a new programme until late in the year.

The great question mark hangs over the U.S. Treasury attitude and so far the Americans have shown little enthusiasm for staging further big auctions, the last of which was held in November.

World mine production this year seems likely to show little change and so providing that the general level of demand is maintained the course of the bullion price may be balanced to a large degree by the U.S. Treasury on the one hand and the jewellery trade on the other.

This suggests that the balance is likely to be tipped in favour of a further rise in bullion prices. Meanwhile, Consolidated Gold Fields' excellent annual review of the bullion scene, Gold 1980, will be looked forward to with particular interest. It is due to be published on June 24.

## MINING BRIEFS

GEVOR TIN—May output: 10,653 tonnes; treated produced 30 tonnes Black Tin (95 per cent Sn) including 10 tonnes low grade concentrates (April 92 tonnes).

REUTERS NEW  
LONDON TELEPHONE  
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World markets as they move

## EUROBONDS

The Association of International Bond Dealers' Quotations and Yields appears monthly in the Financial Times. It will be published on the following dates in the remainder of 1980:

July 14 August 12 September 15  
October 14 November 11 December 16

There is a limited amount of advertising space available each month; if your company is interested in taking advantage of this offer please contact:

The Financial Times Advertisement Department  
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## COMPANY NOTICE

Hydro Quebec 9½% Debentures  
due 1st July 1993

Debentures covering  
US\$2,500,000 have been purchased on the market to satisfy the Purchase Fund due 1st July 1980.

October 1, 1979–May 16, 1980

# In the most difficult capital markets in U.S. history Salomon Brothers managed or co-managed over 50% of all negotiated debt offerings\* for corporate America and foreign issuers.

This performance is based on our integration of corporate finance, trading, distribution and research.

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\*Source: Investment Dealers' Digest figures, October 1, 1979 through May 16, 1980.

Total industry taxable negotiated U.S. debt financings \$15.1 billion. Salomon Brothers \$7.6 billion.

## Durban Deep's interim 160p

High capital spending plans have cut into dividend payments at Durban Roodepoort Deep and East Rand Proprietary, two marginal gold mines in the Barlow Rand group.

Interim dividends declared yesterday are lower than the market had forecast despite being foreshadowed by the companies themselves.

Durban Deep's 1980 interim is 160 cents (88.5p), four times that of the 1979 interim, reflecting the higher level of bullion prices. It compares with total payments of 155 cents for 1979.

East Rand Props is paying an interim of 175 cents (96.5p), against a 1979 interim of 10 cents and a final of 90 cents.

The companies warned that funds would be held back for mine development at the end of the financial year, thus restricting the amount available for dividends.

But the 1979-80 final dividend from Mlyvoortzicht Gold Mining was well up to market expectations at 185 cents (102p). This brings total payments for the year to 255 cents against a 1979-1978 total of 105 cents.

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Gift-Edged Portfolio Management  
Service Index 9.8.80  
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## EUROPEAN OPTIONS EXCHANGE

Series	Vol.	July	Last	Vol.	Oct.	Last	Vol.	Jan.	Last	Stock
ABN C	F.260	1	5.80	5	29	—	—	—	—	F.288
ABN C	F.300	1	5.80	—	—	—	—	—	—	—
ABN C	F.310	1	0.90	20	—	—	—	—	—	F.32.50
ABN C	F.320	—	—	15	1.50	10	3	—	—	—
AKZ C	F.25	91	0.40	—	—	—	—	—	—	—
AKZ C	F.27.50	20	0.10	10	0.60	—	—	—	—	F.64
AKZ C	F.28.50	—	—	—	—	—	—	—	—	—
ARS C	F.60	8	—	—	—	—	—	—	—	—
ARS C	F.65	—	—	—	—	—	—	—	—	F.9.50
ARS C	F.68	—	—	—	—	—	—	—	—	987%
ISM C	855	—	—	—	—	—	—	—	—	—
ISM C	860	—	—	—	—	—	—	—	—	F.67
KLM C	F.60	3	6.50	—	—	—	—	—	—	—
KLM C	F.70	25	2.90	21	4.80	—	—	—	—	—
KLM C	F.80	64	0.60	21	—	—	—	—	—	—
NAT C	F.100.50	—	—	—	19.10	—	—	—	—	F.109.50
NAT C	F.102.50	23	—	—	—	—	—	—	—	—
NAT C	F.109.10	7	3.60	18	5.60	—	—	—	—	—
NN C	F.110	—	—	—	—	—	—	—	—	—
NN C	F.120	—	—	—	—	—	—	—	—	F.14.10
PHI C	F.17.50	—	—	—	—	—	—	—	—	—
PHI C	F.24.50	108	0.80	20	0.50	50	0.90	—	—	—
PHI C	F.17.50	—	—	—	—	—	—	—	—	—
PHI C	F.24.50	—	—	—	—	—	—	—	—	—
PHI C	F.25.50	—	—	—	—	—	—	—	—	F.155.50
RD C	F.120	165	16.50	149	10.20	56	12.50	—	—	—
RD C	F.165	847	8.50	94	4.80	—	—	—	—	—
RD C	F.170	650	2.70	14	0.50	—	—	—	—	—
RD C	F.140	100	0.20	14	1.50	—	—	—	—	—
RD C	F.145	—	—	—	—	—	—	—	—	—
RD C	F.150	20	0.40	18	—	—	—	—	—	—
RD C	F.150	208	1.50	14	6.60	—	—	—	—	—
RD C	F.155	18	5.50	—	—	—	—	—	—	—
UNI C	F.105	10	—	—	—	—	—	—	—	F.113.40
UNI C	F.110	6	—	—	—	—	—	—	—	—
UNI C	F.115	39	—	—	—	—	—	—	—	—
UNI C	F.115	2	5.50	—	—	—	—	—	—	—
BA C	835	2	2%	—	—	—	—	—	—	824%
OXY C	825	—	—	—	—	—	—	—	—	825
OXY C	850	—	—	—	—	—	—	—	—	—
ELS C	81.0	7	9%	—	—	—	—	—	—	81.6
ELS C	81.0	6	3%	—	—	—	—	—	—	—
VW C	DM.170	10	12.50	—	—	—	—	—	—	DM78.22
TOTAL VOLUME IN CONTRACTS										
Q=Call P=Put										

## Banco Central de Costa Rica

U.S. \$50,000,000

## Floating Rate Notes 1985

Notice is hereby given pursuant to the Terms and Conditions of the Notes that for the six months from 11th June, 1980 to 11th December, 1980 the Notes will carry an interest rate of 10 1/2% per annum. On 11th December, 1980 interest of U.S. \$286.88 will be due per U.S. \$5,000 Note for Coupon No. 1.

European Banking Company Limited  
(Agent Bank)

10th June, 1980



# Dollar weak

no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rates; (S) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (sx) exchange certificate rate; (k) Scheduled Territory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

The dollar lost ground against most currencies yesterday in generally dull trading, with business once again dominated by interest rate movements. Indicators showed the U.S. economy to be declining further in order to stimulate the economy, saw Euro dollar rates ease by over a quarter of a point. Three-month euro-dollars fell to 9 1/4 per cent, 90-day euro-dollars to 9 1/8 per cent. The year rate was lower at 9 1/2 per cent compared with 9 1/4 per cent.

U.S.	spread	Clos	One month	Per. month
Japan	2,340-2,365	2,255-2,315	1.57-1.47c pm	7.76-8.14-2.02
Canada	2,000-2,015	1,975-2,000	1.57-1.47c pm	4.43-3.00-3.00
Nethld.	4,554-5.58	4,554-5.58	1.57-1.50 pm	1.80-35-20-20
Belgium	68.30-68.85	68.50-68.85	1.57-1.50 pm	1.80-35-20-20
Denmark	12.97-12.93	12.97-12.85	1.57-1.50c die	2.64-7.94 die
France	11.85-11.80	11.85-11.82	1.57-1.50c die	2.64-7.94 die
W. Ger.	4,137-4.17	4,114-4.15	1.57-1.50 pm	2.00-7.94 die
Portugal	114.50-114.10	114.55-113.85	25c pm-75c die	1.52-2.00-1.00 die
Spain	193.50-194.20	193.55-193.85	10c pm-40c die	1.52-2.00-1.00 die
Italy	1,030-1,035	1,030-1,035	1.57-1.50 pm	1.52-2.00-1.00 die
Norway	11.27-11.21	11.26-11.39	7.45-6.00 pm	1.52-1.70-1.41 pm
Finland	9.83-9.87	9.84-9.85	4.30-4.30 pm	4.32-10.94 pm
Sweden	5.00-5.00	5.00-5.00	4.30-4.30 pm	4.32-10.94 pm
Japan	800-515	800-515	2.17-2.17 pm	4.72-7.94 pm
Austria	29.24-29.25	29.25-29.59	20-17.00c pm	7.57-9.15 pm
Switz.	3.90-3.85	3.91-3.82	3.75-2.75c pm	10.02-10.75 pm

Belgen rates is for convertible francs. Financial: French 85.95-87.05

UK†	2,340-2,350	2,305-2,315	1,371-1,376	4.12-4.02	
Ireland†	2,100-2,105	2,107-2,108	1,401-1,400	3.98	4.10-4.00
Canada	1,148-1,152	1,147-1,150	0.98-0.99	4.31	0.67-0.72
W. Germany	1,055-1,055	1,055-1,055	0.98-0.99	4.31	0.67-0.72
Belgium	28.25-28.30	28.28-28.30	12.94	4.31	35-36
Denmark	5,540-5,470	5,470-5,475	4.25-4.75	4.31	12.25-12.50
W. Ger. Federal	1,761-1,760	1,762-1,763	0.98-0.99	4.31	0.65-0.70
France	85-85	85-85	40-50	4.31	110-130
Spain	89.65-75	89.67-82	40-50	4.31	110-130
Italy	85.75-83.70	83.00-83.50	6.71	4.31	20-22
Norway	4,640-4,550	4,642-4,640	0.15-0.25	4.31	2.25-2.50
Sweden	1,950-1,950	1,945-1,945	1.55-1.55	4.31	2.25-2.50
Switzerland	1,550-1,515	1,501-1,501	0.98-0.99	4.31	2.25-2.50
Japan	216.20-217.20	216.25-216.45	0.98-0.99	4.31	2.25-2.50
Austria	12,527-12.58	12,58-12.57	0.98-0.99	4.31	2.25-2.50
Switz.	1,550-1,550	1,550-1,550	0.98-0.99	4.31	2.25-2.50

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

June 9	Bank of Europe Index	Change From January	June 9	Bank rank	Special Dividend Rights	European Dividend Yield
sterling	75.9	-31.9	Switzerland	17	0.564999	4.9087
U.S. dollar	85.0	-10.4	Switzerland	13	1.31788	4.1482
Canadian dollar	53.5	-10.5	Canada	14	0.4221	4.1482
Belgian franc	115.5	+35.8	Canada	15	16.5732	7.8937
Dutch guilder	119.0	+20.5	Belgium	34	57.8356	40.5306
Deutsche mark	185.0	+44.5	Denmark	16	0.4221	4.1482
Swiss franc	139.0	+19.1	D.M. mark	7	2.33515	2.51637
French franc	130.5	+29.9	Guilder	10	2.8571	4.7631
Yen	100.5	-5.1	French fr.	18	10.6778	119.328
			Yen	2	0.2622	2.51637
			Norwegian kr.	6	4.62427	6.89232
			Spanish pes.	9	62.1664	89.1596
			Portuguese esc.	8	0.2622	2.51637
			Swiss fr.	5	0.16654	2.51637

Based on trade weighted changes from  
European agreement December, 1971

June 9	£	£	£	Note Rates
Argentina n Peso	4,990.45010	1,897.1854	Austria	80.48-89.70
Australia Dollar	2,033.8-2,037	1,154.4-1,156	Brazil	56.35-57.55
Brazil Cruzeiro	118.66-119.16	50.61-50.65	Denmark	12.85-13.95
Finland Markka	854.75-855.75	2,638.00-2,640	France	6.51-6.55
French Franc	89.58-92.31	40.00-40.00	Germany	13.14-16
Hong Kong Dollar	11,583-11,572	0.2870-0.2871	Italy	1010-1028
India Rupee	na	0.0140-0.0141	Japan	241-242
Kenya Shilling	0.65-0.633	0.0210-0.0278	Netherlands	4.94-5.47
Luxembourg Franc	66.80-66.80	28.28-28.30	Norway	11.28-13.41
Malaysia Dollar	5,054-5,045	2,128.0-2,128	Portugal	110.50-115.00
New Zealand Dollar	2,525-2,522	0.7070-0.7071	Spain	166.5-167.5
Philippine Peso	7,777-7,777	2,826.0-3,310	Sweden	9.75-9.83
Singapore Dollar	4,991.6-5,000.7	2,128.0-2,130	Switzerland	3.60-3.85
Sth. African Rand	1,894.0-1,825.6	0.7070-0.7071	United States	81.5-82.5
A.E. Dirham	2.65-2.75	5,701.0-7,040	Yugoslavia	60.00-70.00

	ECU central rates	amounts against ECU June 9	% from central rates	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	38.7887	40.3325	+1.36	+0.51	+1.53
Danish Krona ...	7.47226	7.4628	-0.13	-0.01	-0.64
German - D-Mark	2.48326	2.51968	+1.29	+0.54	+1.125
French Franc ...	5.84700	5.85442	+0.13	-0.72	+1.287
Dutch Guilder ...	2.74382	2.76307	+0.71	-1.41	+1.972
Irish Punt ...	0.88370	0.93768	+6.10	+0.99	+1.68
Italian Lira ...	1157.79	1195.58	+2.40	+2.06	+2.08

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

June 9	Pound sterling	U.S. dollar	Deutschmark	Japanese yen	French franc	Swiss franc	Austrian schilling	Italian lira	Belgian franc	Dutch guilder
Pound sterling U.S. dollar	0.495	3.581	4.145	506.0	0.2850	1.819	4.855	1965	3.705	86.58
		1.763	51.55	1.305	1.535	1.937	53.85	2036.5	36.33	26.31
Deutschmark Japanese Yen 1,000	0.545	0.687	1.143	128.8	0.305	0.880	1.099	471.9	0.668	16.06
	1.261	1.438	2.544	28.15	1.895	7.495	8.948	383.7	5.313	130.7
French Franc 10 Swiss Franc	1.035	2.456	4.395	527.5	10	2.953	4.780	3024	2.803	66.95
	0.262	0.616	1.097	135.4	0.329	1.194	512.0	2070	0.705	17.44
Dutch Guilder Italian Lira, 1,000	0.512	0.516	0.910	113.7	0.319	0.858	1	428.8	0.594	14.63
	0.820	1.204	2.182	260.6	1.955	2.332	1000	1.586	24.07	
Canadian Dollar Belgian Franc 100	0.370	0.869	1.533	188.3	3.568	1.411	1.694	722.2	1	24.61
	1.503	3.555	6.328	784.8	14.50	6.733	8.944	2955	4.064	100

3 month U.S. dollars		6 month U.S. dollars		The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for \$10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris, and Morgan Guaranty Trust.
bid 9 1/2	offer 9 5/8	bid 9 1/2	offer 9 5/8	

	June 9	Sterling	U.S.Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian \$	Japanese Yen
1980 term.....	174-17½	91½-9½	12-14	11½-11½	7-7½	9½-10	12½-12½	13-15	9½-9½	15½-15	
7 days notice.....	17½-17½	9½-9½	12-14	10½-11	5-5½	9½-10	12½-12½	16½-20	9½-9½	12½-12½	
Month.....	17½-17½	9½-9½	12½-12½	10½-11	6½-6½	9½-9½	12½-12½	18½-20½	9½-9½	12½-12½	
Three months.....	16½-16½	9½-9½	11½-12½	10½-11	5½-6	9½-9½	12½-12½	18½-19½	9½-9½	11-11½	
Six months.....	15½-15½	9½-9½	11½-11½	10½-10½	5½-6	9½-9½	12½-12½	16½-19½	9½-9½	10-10½	
One year.....	14½-14½	9½-9½	10½-10½	10½-10½	5½-6½	9½-9½	12½-12½	16½-19½	9½-9½	8½-9½	

## Europe rates steady

European short-term interest rates showed little change yesterday, although day-to-day money in Frankfurt rose to 0.10-0.125 per cent from 9.80-10.00 per cent. Period rates were generally steady, however, but other two major banks, Development Bank of Singapore and United Overseas Bank, are 11 per cent, but may be reduced in the near future, following the lower trend in money market rates.

closing at \$634-\$636 per ounce, a gain of \$26. Sentiment remained bullish as a result of the attractive carrying interest over the \$400 mark. Unrest in the Middle East and the probability of further oil price rises were underlying factors behind the rise in gold. The price of one ounce reached a best bid of \$622-\$632, but fell back towards the close, although the (\$36,109 per ounce) in the morning compared with FFfr 40,500 (\$65.38) in the morning and FFfr 78,900 (\$95.38) on Friday afternoon.

In Frankfurt the 12 1/2 kilo bar was fixed at DM. 35740 per kilo (\$630.33 per ounce) against DM. 34,240 (\$600.00) previously and it closed at \$621-\$615 per ounce.

## Adequate supply

... rates were also steady.  
unds to the market are in good  
upply, helped by last week's  
first-rate sterling paper  
y the Bank of France.

Despite this, little change is  
pected in French rates in the  
ear future, following the  
rsorescing trend in France's  
nancial position. Although it  
showed a deficit of FFf 12,49bn  
in current account in the first  
uarter, plus mounting infla-  
tionary pressure.

In Singapore Overseas Union  
Bank has been one of the big four com-  
mercial banks, cut its prime rate  
to 11½ per cent from 11¼ per  
cent, bringing it into line with  
the Overseas-Chinese Banking  
Corporation. Prime rates for the

Bank of England Minimum  
Lending Rate 17 per cent  
(since November 15, 1979)  
Day-to-day credit was in good  
supply in the London money  
market yesterday, and the  
authorities did not intervene.  
Banks brought forward moder-  
ate run-down balances, and  
dispayment was made of the  
£100 million sent to Hong Kong  
on Friday. On the other hand,  
payment of the rate support  
grant contributed to a moderate  
surplus of Government disburse-  
ments over revenue payments to

LONDON MONEY RATES

	sterling
Three months	16 1/8
Six months	16 1/4
Nine months	16 1/4
One year	16 1/4
Overseas-Chinese Banking Corporation	11 1/2
Overseas Union Bank	11 1/2
Commercial Union Bank	11 1/2
Mitsubishi Bank	11 1/2
Yokohama Specie Bank	11 1/2
Sanwa Bank	11 1/2
Fuyo Bank	11 1/2
Dai-Ichi Kangyo Bank	11 1/2
Korea-Morocco Bank	11 1/2
Industrial Bank of Japan	11 1/2
Sumitomo Bank	11 1/2
Tokai-Mitsubishi Bank	11 1/2
Woori Bank	11 1/2
Yokohama Specie Bank	11 1/2
Zenro Bank	11 1/2

June 9 1940	Sterling Certificates of deposit	Interbank Authority deposits	Local Authority negotiable bonds	Finance House Deposits	Company Deposits	Discount market Deposits	Treasury Bills \$	Eligible Bank Bills \$	Five Trade Bills \$
Over night	154-17	164-17	164-17	174-17	164	151-154			
1 days notice	154-17	164-17	164-17	174-17	164	151-154			
2 days notice	154-17	164-17	164-17	174-17	164	151-154			
1 month	154-17	164-17	164-17	174-17	164	151-154			
2 months	154-17	164-17	164-17	174-17	164	151-154			
3 months	154-17	164-17	164-17	174-17	164	151-154			
6 months	154-17	164-17	164-17	174-17	164	151-154			
12 months	154-17	164-17	164-17	174-17	164	151-154			
18 months	154-17	164-17	164-17	174-17	164	151-154			
24 months	154-17	164-17	164-17	174-17	164	151-154			
30 months	154-17	164-17	164-17	174-17	164	151-154			
36 months	154-17	164-17	164-17	174-17	164	151-154			
42 months	154-17	164-17	164-17	174-17	164	151-154			
48 months	154-17	164-17	164-17	174-17	164	151-154			
54 months	154-17	164-17	164-17	174-17	164	151-154			
60 months	154-17	164-17	164-17	174-17	164	151-154			
66 months	154-17	164-17	164-17	174-17	164	151-154			
72 months	154-17	164-17	164-17	174-17	164	151-154			
78 months	154-17	164-17	164-17	174-17	164	151-154			
84 months	154-17	164-17	164-17	174-17	164	151-154			
90 months	154-17	164-17	164-17	174-17	164	151-154			
96 months	154-17	164-17	164-17	174-17	164	151-154			
102 months	154-17	164-17	164-17	174-17	164	151-154			
108 months	154-17	164-17	164-17	174-17	164	151-154			
114 months	154-17	164-17	164-17	174-17	164	151-154			
120 months	154-17	164-17	164-17	174-17	164	151-154			
126 months	154-17	164-17	164-17	174-17	164	151-154			
132 months	154-17	164-17	164-17	174-17	164	151-154			
138 months	154-17	164-17	164-17	174-17	164	151-154			
144 months	154-17	164-17	164-17	174-17	164	151-154			
150 months	154-17	164-17	164-17	174-17	164	151-154			
156 months	154-17	164-17	164-17	174-17	164	151-154			
162 months	154-17	164-17	164-17	174-17	164	151-154			
168 months	154-17	164-17	164-17	174-17	164	151-154			
174 months	154-17	164-17	164-17	174-17	164	151-154			
180 months	154-17	164-17	164-17	174-17	164	151-154			
186 months	154-17	164-17	164-17	174-17	164	151-154			
192 months	154-17	164-17	164-17	174-17	164	151-154			
198 months	154-17	164-17	164-17	174-17	164				

## What are the best prospects for the future?

How important is North Sea oil in the world energy context?

These and many other questions will be examined and discussed at the European Offshore in the 1980's Conference to be held in London on 18 and 19 June, 1980.

The conference will be opened by keynote speeches from the Rt. Hon. David Howell, MP, Secretary of State for Energy and Mr Harald Norvik, Norwegian Deputy Minister for Petroleum & Energy. A special feature of the meeting will be the round-table discussions following the ministerial addresses.

Sponsored by the Financial Times, in association with the Norwegian Journal of Commerce and Shipping, the conference will provide a rare opportunity to listen to and question authoritative speakers on many of the main issues connected with the North Sea and other European offshore waters.

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Michael Donne looks at aircraft manufacturers' plans for the next decade

# A 1,000-seat Jumbo on the horizon

THE DAY of the 1,000-seater jumbo-jet airliner is drawing steadily closer as airlines seek to keep their soaring costs under control by carrying more passengers on every flight. At the same time, the market for other types of new aircraft remains strong despite some delays in ordering as a result of the recession, especially in the U.S. Manufacturers remain optimistic about the long term.

All the major airlines and aircraft manufacturers agree that while the recession has slowed the rate of traffic growth in some countries (such as the U.S. and Western Europe where air travel is passing through a periodic trough), expansion remains high in the developing countries of the Third World. They believe that even in the developed countries it will recover in the early to mid-1980s, and then expand at a more rapid rate.

Estimates of passenger traffic growth through the early 1980s vary from 4.8 per cent to 6.6 per cent a year, which is lower than in the mid to late 1970s when it was about 9 per cent. But even this slower rate would lift the 1978 total of 488bn revenue passenger-miles flown (the international yardstick of air travel growth) to about 540bn by 1988.

Most airlines and aircraft manufacturers believe that the price of aviation fuel will continue to rise, and that by 1990, it could average about \$2.50 a gallon, against today's level of 92 cents. The proportion of airlines' direct operating costs accounted for by fuel is going up steadily. In 1970 fuel accounted for about 22 to 25 per cent of such costs, by end-1979 it had reached 50 per cent, and it is expected to climb further during the 1980s. The balance of direct operating costs is accounted for by such items as salaries and wages of crews, the cost of maintenance and overhaul, landing fees and ground handling charges, and navigation and other charges, all of which are rising throughout the Western world.

Against this background the major airlines are thinking in terms of meeting as much of the traffic growth as possible by using bigger aircraft, and in some cases by trimming the numbers of flights made (although this is less evident than has been sometimes suggested, especially outside the U.S.).

What the airlines are not curbing, however, is fleet

## The U.S. big three plan to stretch their "wide-bodied" jets

has largely benefited the big U.S. manufacturers, with Boeing especially capturing a big share for its 747 Jumbo, and its smaller highly successful 737 and 727 jets. The new twin-engine 767 has also done well, and although sales of the smaller twin-engine 757 have been slow, Boeing remains optimistic that it will announce some substantial new U.S. and foreign sales before the end of the year.

The U.S. manufacturers' estimates are that through the 1980s about \$100bn (in 1980 values) will be spent on about 3,000 airliners of all kinds. This is in addition to the cash already committed on over 2,000 new jet airliners ordered during the past 2½ years since the "re-equipment tide" began to flow in early 1975. A typical assessment of likely future market trends has been prepared by Lockheed (which

builds the Rolls-Royce powered TriStar). It estimates that up to 1989 about \$54bn will be spent on new purchases of current aircraft of all kinds (excluding all-cargo jets), with another \$45bn likely to be spent on future types of aircraft either planned or already under development (like the A-310 Airbus and the Boeing 767 and 757 and the McDonnell Douglas DC-9 Super 80 and the Advanced Technology Medium Range transport). The table analyses the market as Lockheed sees it, but the other manufacturers' assessments are similar.

All the major manufacturers — Airbus Industrie, Boeing, Lockheed and McDonnell Douglas — have plans for new aircraft to meet the expansion they are confident lies ahead in the 1980s.

Airbus Industrie (in which British Aerospace has a 20 per cent stake) plans to modify the A-300 to seat up to 300 or more passengers against the present 250. It is also looking at a series of smaller twin-engine jets to seat between 130 and 160 passengers — the SA (for single-aisle) series — to supplement the 200-seat A-310 already under development.

In the U.S. the three big builders all have plans to stretch their own "wide-bodied" jets — the Boeing 747 Jumbo, the Lockheed TriStar and McDonnell Douglas DC-10. The most active is Boeing, already committed to stretching the upper deck of the existing 747 by 280 inches, to give up to 66 seats against the present 32 in that section, thereby raising the load to 498 passengers. This aircraft will be available by the spring of 1983.

But beyond this, Boeing is studying even bigger stretches of the Jumbo, in which British

airways in particular is very interested. One is an aircraft that will be able to carry 571 passengers, by stretching the basic fuselage by 23 feet, and extending the upper deck by 27 feet.

Another version could be made to carry 630 passengers, by stretching the fuselage by 49 feet, and also lengthening the upper deck by 38 feet. Also under consideration is a 633-seater, that would have the same fuselage length as present aircraft, but with the upper deck stretched all the way to the tail.

Looking further ahead, Boeing is studying the possibility of building on top of the existing Jumbo fuselage. A second fuselage of the size of the new 767 airliners would give a "double bubble" cabin, seating up to 660. If that were stretched another 20 feet, up to 700 passengers could be accommodated. Boeing says that a 1,000-seater Jumbo is technically feasible, although whether airlines will ever want to go that far remains to be seen.

A stretch of that nature would not only require much more powerful engines than those available today, but also a new, more aerodynamically efficient wing to carry the bigger loads. Thus, it would amount to virtually a new airliner, and would be very costly to undertake, with engineering costs of several hundred million dollars.

Boeing has not yet made up its mind which of these ideas it will undertake. The main criterion is demand. If airlines want enough of a particular type of stretched aircraft, Boeing will build it, but it wants to move ahead in an orderly manner, and it seems likely that even the 700-seater is still some years away.

## MARKET FOR WORLD COMMERCIAL JET TRANSPORTS

PRODUCT ASSUMPTIONS, 1980-89*				
Category	Market	Current models	Future models	
Short range	517bn	8737 DC9	F-25 751	\$10bn
Short/medium range	542bn	8727 A300 DC-10 L-1011	A310 767 DC-10 long body ATMR	\$25bn
Long range	540bn	8747 747 DC-10-30 L-1011-500	747-derivative DC-10-30 stretch L-1011-500 VLR (Very long range)	\$10bn
Totals†	\$99bn	\$54bn	\$45bn	

\* Excludes all-cargo aircraft. † 1980 dollars

Source: Lockheed California Company

Further down the U.S. West Coast, at Burbank, California, Lockheed also has ideas in the project office for bigger versions of the TriStar, which would progressively push up the passenger total from 278 to 336, with extensions to the fuselage and rearrangements of internal galley systems to give more flexible seating arrangements. Lockheed is also considering an all-cargo version of the TriStar. On the other side of Los Angeles, at Long Beach, McDonnell Douglas is looking at various stretched versions of the DC-10.

McDonnell Douglas is especially anxious to improve the image of the DC-10. It admits that last year's grounding of the jet by the U.S. Federal Aviation Administration, following the accident in May at Chicago, probably harmed sales. But the FAA in its final investigation report cleared the aircraft, laying the blame for the crash on damage caused to the engine pylon by the maintenance techniques of the airline involved.

Apart from performance improvements to the DC-10, McDonnell Douglas is putting much of its current engineering and marketing effort into two new, smaller short-to-medium range airliners, the DC-9 Super 80 of 130-160 seats, and the Advanced Technology Medium Range (ATMR) transport of 178 seats. The DC-9 Super 80 is a contender for the newly emerging market for a 130-160 seater in which Airbus Industrie is interested with its SA series of jets, while in the same market Boeing offers its

new version of the 737, the Series 300. The ATMR is in direct competition with the Boeing 757 twin-engine jet airliner, already under development.

McDonnell Douglas now has orders for more than 100 DC-9 Super 80s, with the first due for delivery this summer to Swissair. But it has not yet decided to launch the ATMR. The development programme would be expensive, probably costing as much as \$1.5bn, and McDonnell Douglas wants to be certain of the market before committing such sums. But airlines are showing growing interest, and a formal launch decision could come before the end of 1980.

These new U.S. aircraft ventures in the short-to-medium haul class pose a serious problem for Europe's Airbus Industrie, which must make up its mind this year whether to build its SA class of short-range jets to compete with the four U.S. types — the DC-9 Super 80, the ATMR and the Boeing 757 and 737-300 in varying seating categories up to about 170 passengers.

The market through the 1980s for this class of aircraft is collectively estimated to be worth close to \$80bn, and to cover some 1,200 or more aircraft. So far, Airbus Industrie is not represented — its 200-seat A-310 is in a larger class, competing directly with Boeing's own larger 767 airliner. If Airbus Industrie does not start the SA series soon, Europe could be giving away one of the biggest airliner markets of all time to the U.S.

## CONTRACTS

### Manston (Contractors) gain £6m orders

MANSTON (CONTRACTORS), Westland Square, Leeds, has won contracts worth more than £6m. The orders cover industrial contracts for Filtrate, Norcora (Investments), Atlas Hydraulic, Loosers, Howson Algraphy, Coxa Cola and a large catering unit for Air Cuisine at Luton Airport.

The Birmingham office of WIMPEY CONSTRUCTION UK has won a design and build contract valued at £2.5m for the new Grundig central warehouse and sales and service centre at Mill Road, Rugby, for Grundig International. The contract includes a 7,200 square metre warehouse and a 2,800 square metre sales and service centre, the centre including offices and a workshop.

The buildings will be on massed concrete foundations and in structural steel frame with pvc covered steel cladding on walls and roofs. The project also includes all site services together with the redevelopment of railway sidings and hardstandings for cars and trucks. Work is due to start this month and is scheduled for completion by next March.

Merseyside County Council, at present an ICL user, has ordered computer equipment from SPERRY UNIVAC worth £1.5m. The system will be used for routine county authority functions and will be housed in new accommodation in the centre of Liverpool.

Export orders worth more than £550,000 have been awarded to JAMES CLARK AND EATON, for glazing two banks in Saudi Arabia. In addition the company has won a £120,000 contract for the design, supply and installation of two large suspended glass assemblies for the research building at the University of Petroleum and Minerals, Dhahran, Saudi Arabia.

M. L. SHELLEY AND PARTNERS, part of the Deacon Industrial Group has won a £400,000 Saudi Arabian order. Placed by David Williams International, it is for two packaging machines together with two blanking presses, moulds and spares, and an extruder supplied by Betol Machinery of Luton, another Deacon plastics company. The machines will be used to produce egg boxes and trays at a new factory to be built by a group of Saudi Arabian businessmen.

TAYWOOD-SANTA FE has been awarded a contract for the provision of a project management team to direct the offshore development of the Morecombe Bay gas field on behalf of Hydrocarbons Great Britain (a wholly-owned subsidiary of the British Gas Corporation). This project is part of British Gas' plans to invest £4,000m on capital projects over the next five years. A multi-platform development of the field is likely and platform installation will be phased.

The northern construction division of WILLIAM PRESS AND SON, has been awarded a £14m contract by Durham County Council, for the construction of a refuse treatment plant at Thornley Station, County Durham. William Press will be responsible for site management, overall supervision of the construction work, and for the supply of labour and materials. Work starts on July 1 and will last for 12 months.

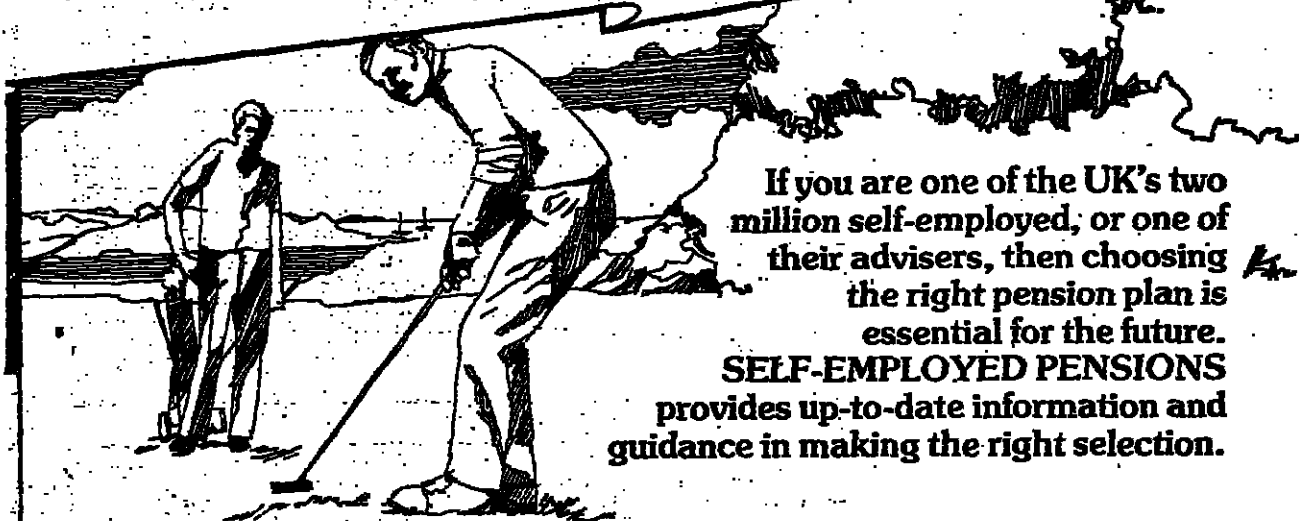
Two orders for concentrator plants worth around £900,000 have been obtained by Sala (UK), a subsidiary of the Allis Chalmers Corporation. One is for tin pre-concentration for COMSUR in Bolivia. The second is a three-product Krebs cyclone plant which forms the heart of the new baryte concentrator for S.P.O. Minerals Golconda project in Derbyshire, including equipment for milling, flotation, thickening and filtration of concentrates and tailings.

A communication satellite earth station in Poland — operating as part of the International Telecommunications Satellite Organization (INTELSAT) — will provide the first direct satellite communications between that country and North America. A \$5.5m (£2.3m) contract to design and install the facility has been awarded to GENERAL TELEPHONE AND ELECTRONICS, U.S. by Unifra Foreign Trade Enterprise, Warsaw. Financing for the project, to become operational during the summer of 1981, was provided by the U.S. Export-Import Bank and by commercial lenders.

CLUGSTON CONSTRUCTION, Souththorpe, has been awarded a £1.2m contract by Lincolnshire County Council to build an office block at the county offices, Lincoln. The work which starts this month comprises a four-storey office block and basement of about 4,000 square metres total floor area. The new block is to be joined to the existing office block by a bridge.

A contract worth £93,000 has been awarded by Warrington Development Corporation to ROBERT MCGREGOR AND SONS, Manchester, for construction of a footbridge across Oakwood Gate, a dual carriage-way road in the Birchwood district of Warrington New Town.

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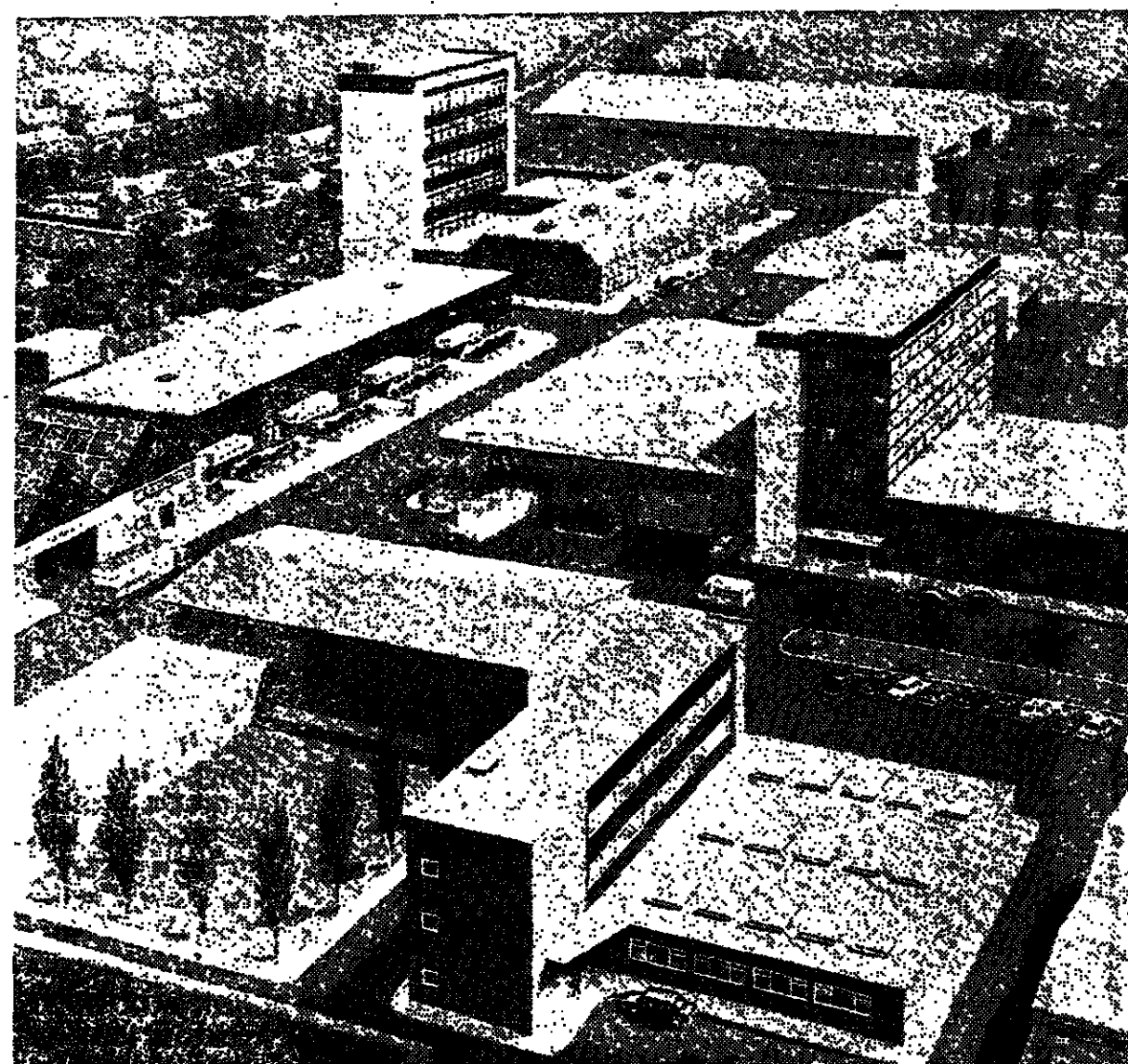
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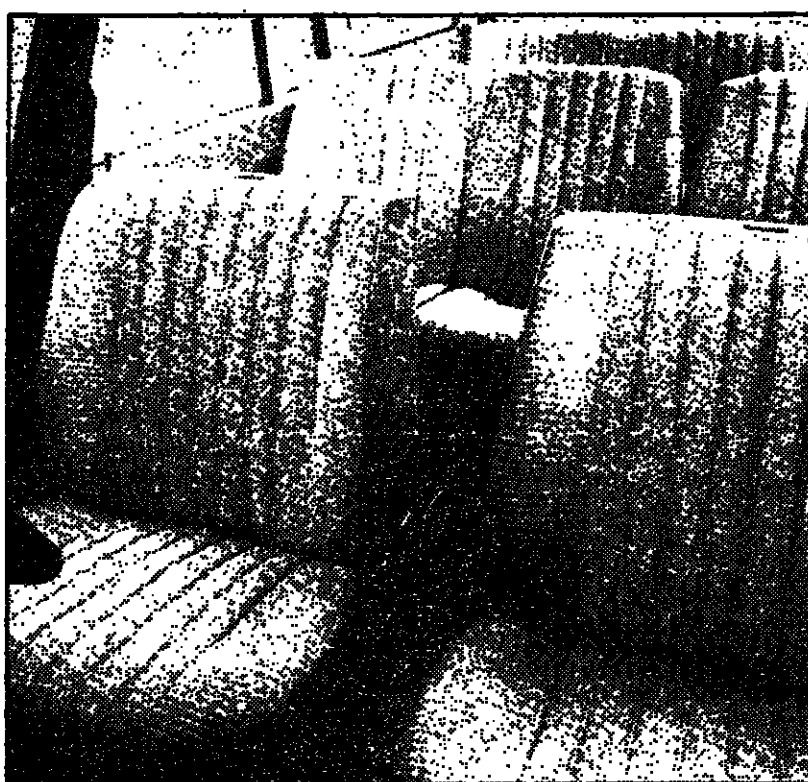


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The Peugeot 504 Family Estate is the favourite for all the family. Because with its *three rows of forward-facing seats* it's the sumptuous solution to your transport problems. The cloth-upholstered seats are deep and comfortable, because more comfort for the family and their friends means a more relaxed atmosphere for the driver, and a safer journey for everyone.

The 504 Family is big, comfortable and simplicity itself to drive, with *power-assisted steering* to make light work of town traffic and parking. The rally-proven 1971 cc engine is as smooth as it is powerful, and gives the Family a *top speed of 101 mph*.

Above all, the 504 Family is a really practical car. The wide-opening doors mean easy access, and childproof locks built into the rear doors mean your children won't get out unless you want them to. And because there's real space in both the rear rows of seats, the Peugeot Family is as popular with your friends and business associates as it is with your family. Even with eight people and their luggage, the 504 Family will still give



Three rows of forward facing seats (Front seat head restraints not shown).

you a superb ride—thanks to the extra-long wheelbase and the specially developed suspension system.

If you're towing a boat, caravan or horsebox, the 504 Family has the power to cope with a load of up to 1½ tons (1500 kg). And remember there's also a diesel version, to give you the same passenger comfort advantages and the same Peugeot reliability with extra economy. On the continent, of course, diesel can save you over 40 per cent of your fuel bills, and that's before you take into account a fuel consumption figure of 37 mpg.\* Instead of making the family fit the car, we've made the car to fit the family. But with all that style and comfort, the 504 is still totally practical. Even with the third row of

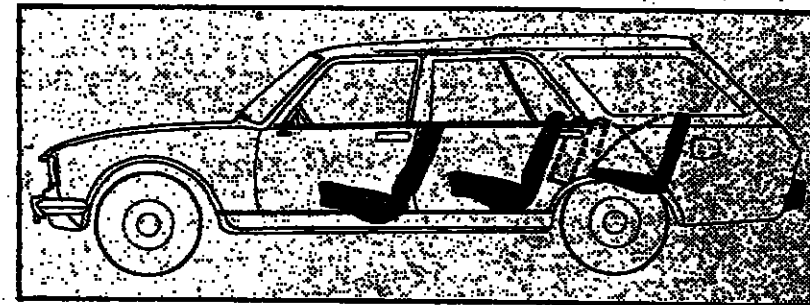
seats in use, there's still 15 cu ft of space for luggage (with the spare wheel stowed under the boot floor). And when you don't need that third row of seats, fold it down for 34 cubic feet of space.

With more than a million cars sold throughout Europe, the Peugeot 504 has been proved to be as rugged as it is elegant. That's because it's been built to last, using the finest materials available. To back this, there's a twelve-month unlimited mileage warranty, which we offer confidently, thanks to our detailed quality control procedures. (One in eight of all factory staff are engaged exclusively on quality control.) Peugeot strength also means main services only once every 10,000 miles\*\*—so your car stays on the road, not in the service bay.

The 504 Estate range also includes other large-capacity, hard-working estates, with diesel or petrol power. So if you don't need the sophistication of the Family, you'll still find a 504 to suit you.

But if you do need space, style and comfort to spare, then the 504 Family is the car for you. Why not take the family for a test run today?

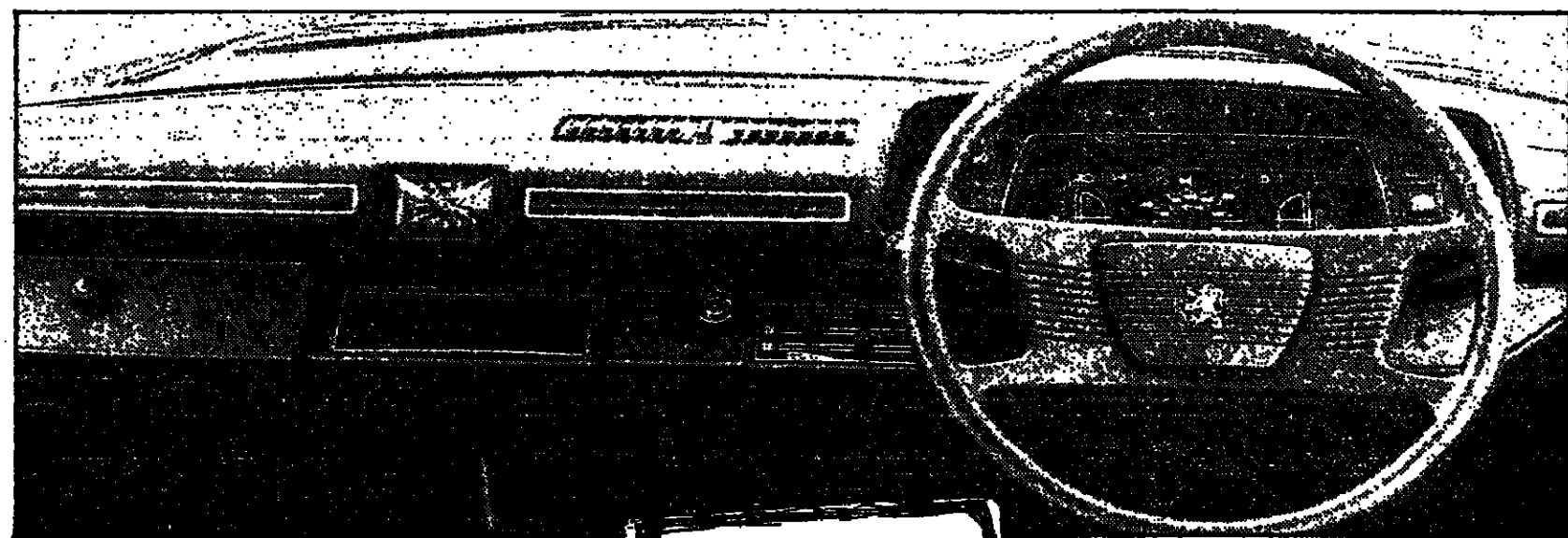
\*Diesel service intervals: 6000 miles



\*Fuel consumption

	at a constant 56 mph (90 km/h)	at a constant 75 mph (120 km/h)	urban driving
Family Estate —manual	35.7 mpg (7.9L/100 km)	28.4 mpg (10.7L/100 km)	21.5 mpg (13.1L/100 km)
—automatic	31.0 mpg (9.1L/100 km)	24.1 mpg (11.7L/100 km)	23.3 mpg (12.1L/100 km)
Family Diesel Estate—manual	37.7 mpg (7.5L/100 km)	27.2 mpg (10.4L/100 km)	30.1 mpg (9.4L/100 km)

Petrol consumption in accordance with official Government test procedure



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## WEST GERMAN AEROSPACE INDUSTRY

## VFW ahead after split with Fokker

BY ROGER BOYES IN BONN

THE WEST GERMAN aerospace group Vereinigte Flugtechnische Werke radically boosted sales and profits last year, clearly demonstrating that it has survived the complicated and sometimes painful divorce from Fokker, former Dutch partner.

VFW pushed up net profits from DM 2.53m to DM 9.79m (\$5.53m) last year, with sales up DM 100m to DM 955m (\$545m). That is regarded as a considerable achievement by VFW executives, who had become accustomed to hefty losses through much of the 1970s. Indeed, 1978's profit was possible only through orders booked by ERNO, VFW's space engineering subsidiary.

Now the main sustaining force of the group's performance is the Airbus programme. This has helped to lift turnover in the civil air production division from DM 182m in 1978 to DM 289.2m. Apart from production of the Airbus A300 and A310, VFW is also co-operating in the construction of the Transall transport carrier for the French air force. The group is also participating in the Tornado multi-role combat aircraft programme, which, although hit by rising costs, is keeping capacity high in the military technology division.

VFW provides an interesting contrast with its former partner, Fokker, which has seen a steep rise in turnover

but only a modest profit increase. VFW executives are aware, however, of the company's vulnerability to sharp competition from much larger overseas competitors in Europe and the U.S.

The management board thus stresses that a merger with Germany's other aerospace company, Messerschmitt Boelkow Blohm, is an urgent necessity. The Bonn Government, convinced that only a merged German aerospace concern would be able to survive in the 1980s, urged the split with Fokker as the first step to an eventual merger between VFW and MBB.

The merger negotiations, however, have been far from

smooth. The original idea was for two of the principal VFW shareholders, United Technologies and Krupp, to sell their stakes to the City of Bremen, the other major shareholder. Bremen would then sell the lot to MBB and the merger would be complete. But United Technologies has been reluctant to part with its stake in VFW and would like a share in the new merger group. Intensive negotiations on the issue are continuing among the various shareholders.

Meanwhile, VFW is strengthening its assembly base by ploughing DM300m into modernisation of production facilities over the next three years.

## Shell in Italian talks with Conoco

By Rupert Cornwell in Rome

THE SHELL oil group is negotiating a possible return to the Italian petroleum products market after an absence of more than six years.

Talks are in progress which could lead to Shell buying the Italian interests of Conoco of the U.S., which are centred round a chain of 170 filling stations in the Lombardy region in northern Italy.

At the same time other discussions are taking place which could see a group of oil companies including Shell and Total-CFP of France taking over the existing Conoco pipeline from Genoa to central Lombardy.

This move is of great significance, since it is evidence of the increased attractiveness of the Italian market to the international oil majors now that the Italian authorities have introduced a more flexible pricing system.

Earlier this year Enso Italiana reported net earnings of L64bn (\$73m) for 1979, compared with accumulated deficit of L57bn between 1976 and 1978.

The tightly controlled Italian market had led some oil companies, including BP and Shell, to take out. The latter sold its Italian interests to Agip, the subsidiary of the ENI state energy group, in 1972.

Conoco's apparent readiness to consider withdrawing is therefore at first glance surprising. However, its interests in Europe are mainly concentrated in northern Italy and the North Sea, with little representation in southern Europe.

## Reorganisation leads to recovery at Veba Oel

BY KEVIN DONE IN FRANKFURT

VEBA OEL, the oil subsidiary of the Veba group, West Germany's largest industrial concern, staged a major recovery last year producing after tax profits of DM 100m (\$56m). The oil business returned a profit for the first time in six years.

Veba Oel has benefited greatly from the reorganisation that came into effect at the beginning of 1979. The sale of surplus refinery capacity to Deutsche BP, the West German subsidiary of British Petroleum, meant that Veba was able to operate its remaining capacity at the comparatively high level of 87 per cent.

Without the BP deal it would still have worked at only 64 per cent of capacity despite the strong demand for oil products last year.

As another part of Veba's restructuring the oil subsidiary's chemicals interests were transferred to another group subsidiary, Chemische Werke Huls, with the result that last year's performance cannot be directly compared with the previous year.

In the first months of 1980 Veba was hit by the strength of the U.S. dollar and the profitability of its oil refining and marketing business is again in doubt.

Sales in the four months rose by 31.8 per cent but volume sales are significantly down.

Veba Oel has been trying hard to diversify its crude oil purchases and, as the next step, it is hopeful of signing its first crude oil supply contract with Mexico.

Dr. Fritz Oeschmann, Veba Oel chairman, said the company was optimistic that it would start crude oil from Mexico next year, with supplies growing gradually to 20,000 barrels per day.

Elsewhere in the German energy industry, Ruhrgas, the country's dominant gas supply company, has increased natural gas volume in the first five months of this year by 6 per cent. The group expects an expansion of some 7 per cent for the whole of 1980.

The main increase in demand has come from industry, while

household sales have fallen below last year's level, largely as a result of the milder winter and greater energy savings by consumers.

Ruhrgas boosted its turnover last year by 15.6 per cent to DM 6.2bn, but profits fell back by 5.2 per cent to DM 142.4m.

The group is expanding its financial base in order to keep pace with the rapid growth of business. Shareholders - the largest is Deutsche BP with 25 per cent and others include several major oil companies plus important coal and steel groups - will be asked to provide DM 100m extra capital.

Ruhrgas is facing strong demands from its foreign gas suppliers, the Netherlands and the Soviet Union, for higher prices for the gas it purchases under long-term contracts.

Under a temporary agreement with the Soviet Union for the first six months of this year, it has already granted "considerable increases" but long-term agreements with the Soviet Union and the Netherlands are still to be reached.

## Increased profit from Thomson-CSF

By Terry Dodsworth in Paris

THOMSON-CSF, the French electrical and electronics group, lifted consolidated profits by 27 per cent last year from FF 225m (\$80.7m) to FF 322m.

The company, part of the Thomson-Brandt group, also raised sales substantially after taking into the accounts the former Thomson-Ericsson interests which derive from its acquisition of the Ericsson Telecommunications business in France. On this basis, sales went up from FF 11.9bn to FF 16.1bn.

M. Jean-Pierre Bouysse, chairman, has forecast a sales increase of around 20 per cent this year. Orders were sharply up in the first four months of 1980, he said.

## Setback for Swiss watch group

BY JOHN WICKS IN ZURICH

THE SWISS watch group, SSIR, will find it difficult to reach budgeted results this year unless there is an improvement in business, according to Mr. Ulrich Doenz, general manager. The follows an announcement by the parent company, Societe Suisse Pour l'Industrie Horlogere, that it is to pass its dividend for the fifth consecutive year.

Speaking at a Press conference in Bienne, Mr. Doenz described the current situation as "not too rosy". Targets had not been reached in the first quarter of 1980 when there was a slight overall rise in turnover but probably little change in profits.

Mr. Ralph Gautier, managing director, said that the group would be giving "absolute priority" to its two major watch brands, Omega and Tissot. The U.S. subsidiary,

Hamilton Watch, is to develop its national market further. At the same time, SSIR is in the process of thinning out its production programme. The Lanco brand is to be gradually replaced by the lower price range of Tissot, while it has just been decided to sell the subsidiary, Buler Watch in Lengnau.

The decision to pass a dividend payment again in the group's golden jubilee year is attributed to the necessity to invest large sums to counter losses in the medium term. In fact, consolidated profits of the group had doubled to SwFr 4.2m (\$2.5m) in 1979 after a slight rise in turnover to SwFr 662.3m (\$401.4m).

## Hermes Precisa makes payment

BY OUR ZURICH CORRESPONDENT

THE SWISS office equipment manufacturers, Hermes Precisa International SA, is to pay its first dividend since 1974. At the company's annual general meeting on June 13, shareholders will be asked to approve a distribution of 8 per cent. Parent company profits rose

from SwFr 800,000 (\$488,000) to SwFr 2.6m (\$1.58m) in 1979 after cash flow rose from SwFr 9.6m to SwFr 11.6m. Consolidated turnover rose by 4 per cent to SwFr 265m for the year. The overall improvement in profits is attributed in part to more favourable exchange rates.

This advertisement appears as a matter of record only.



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April, 1980

## PAN-HOLDING S.A.

Luxembourg

The annual general Meeting of shareholders took place on May 30, 1980. The accounts for the year 1979 were approved. The consolidated accounts show a net profit of US\$7,870,720.69. After the transfer to the provision for contingencies of the net amount of various realised gains, i.e. US\$5,887,382.08, there remains a net income of US\$1,983,335.61. The shareholders' Meeting decided the distribution of US\$2.60 per US\$50 share outstanding on June 30, 1980. This dividend, free of withholding tax in Luxembourg, will be paid as of July 1, 1980.

After the bonus issue of one share for four, the dividend is maintained at the same level as the previous year, which represents for the shareholder an increase of 25%.

The shareholders' Meeting has nominated as Directors Messrs Jacques LOESCH, Mr. Alain PHILIPPE and Miss Béatrice PHILIPPE. They all are Members of the Executive Committee of the Company.

In his address, the Chairman recalled that the consolidated net asset value per share as of December 31, 1979 was US\$158.95 (adjusted for the distribution of bonus shares) representing an increase of 52.4% compared to December 31, 1978 and of 54.4% when taking into account the US\$2.60 dividend paid on July 2, 1979. However, this consolidated net asset value includes an extraordinary gain of US\$19.34 per share realised through the repurchase of 140,000 shares held by the Company's subsidiary Pan-Inter, followed by their cancellation by the extraordinary general Meeting of December 18, 1979.

When excluding this extraordinary gain, the increase of the consolidated net asset value per share would be 33.9% as compared to December 31, 1978 and 35.8% when taking into account the dividend paid. Pan-Holding has pursued its policy of international diversification followed since the company was created. Pan-Holding has also continued to emphasise investment in stocks related to energy, raw materials, high technology and defence. Investments in North America represented close to 47% of the consolidated assets. As far as gold and gold-related investments, they formed almost 10% of the assets. Investments in Japan were substantially decreased at the beginning of 1979 but a gradual re-investment was started towards the end of the year.

As of May 31, 1980 the consolidated net asset value was US\$170.82 versus US\$161.71 as of December 31, 1979. At the same date, the consolidated net asset value per share was US\$167.93, showing an increase of 5.6% over December 31, 1979.

At the previous two general Meetings, attention was drawn to the fact that Pan-Holding shares were traded at a very substantial discount despite the favourable increase in net asset value. In spite of a sharp rise in the price of the share, adjusted to take into account the bonus share, the discount remains substantial although it is much lower than the previous year.

## Rodamco has Fl 16m profit in first year

BY OUR FINANCIAL STAFF

IN ITS FIRST financial year ended February 29, Rodamco NV, the property investment trust of the Robeco Group, reported net profit of Fl 16.47m (\$3.40m). The company is proposing a tax-free distribution of 6 per cent in stock or 3 per cent in stock tax-free and Fl 3 in cash per share of Fl 100 nominal.

Rodamco, whose shares were introduced on the Amsterdam stock market on March 22, 1979, reported a total income of Fl 44.04m, of which Fl 33.65m was net income from property and Fl 10.39m was income from dividends and interest. Expenses amounted to Fl 27.57m.

Rodamco's total net assets before appropriation of profit amounted to Fl 460.43m, up 30 per cent from Fl 354.10m in March 1979. The net asset value per share - increased by issue costs - rose to Fl 109.20 from Fl 100 on the date of introduction.

At the beginning of fiscal 1979, Rodamco participated in two funds which both invested in U.S. real estate: Hexalon BV and Hexalon Real Estate. Earlier this year, Hexalon Real Estates acquired the assets of Hexalon BV against the issue of shares.

After the merger, Rodamco acquired a 39.1 per cent interest in Hexalon Real Estate's share capital. Rodamco said further acquisitions in the U.S. through Hexalon are expected in 1980 and added that the results in the current fiscal year in general "are not expected to lag behind those of the financial year just ended."

Results were better than in 1978, however, with consolidated earnings up from SwFr 364,795 to SwFr 802,390. Capacity use was satisfactory, with group turnover rising 8.3 per cent to SwFr 559m, of which

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## Europa-Valor reduces dividend

By Our Zurich Correspondent

DIVIDEND at Europa-Valor, the European securities fund affiliated to Credit Suisse, the major Swiss bank, is to be reduced from SwFr 4.50 to SwFr 4 for 1979-80. The reduction is being carried out by a cut in stock dividend from 77 to 27 centimes per certificate.

The fund, which is administered by Societe Internationale de Placements, was affected by the "generally unsatisfactory" stock market conditions in the hard currency countries, Germany, Switzerland and the Netherlands. Total portfolio value eased from SwFr 45.4m to SwFr 40.8m (\$24.8m) over the year.

At the same time, Societe Internationale de Placements announces a rise in dividend on its Swiss shares fund, Schweizeraktien, from SwFr 8.40 to SwFr 8.50 per certificate. Fund assets at the end of 1979-80 stood at SwFr 186.9m (\$112.7m), of which 89 per cent was accounted for by shares and 8 per cent by straight and convertible bonds.

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U.S. \$10,000,000  
The Industrial Bank of Japan, Limited  
London



Floating Rate London-Dollar Negotiable  
Certificates of Deposit due 9th December, 1982

In accordance with the provisions of the Certificates, notice is hereby given that for the six month Interest Period from 9th June, 1980 to 9th December, 1980 the Certificates will carry an Interest Rate of 10 1/2% per annum. The relevant Interest Payment Date will be 9th December, 1980.

Credit Suisse First Boston Limited  
Agent Bank

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interest rate of 10 1/2% per annum  
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Bankers Trust Company, London  
Agent Bank

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interest rate of 10 1/2% per annum

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In accordance with the terms and conditions of the above-mentioned Notes and Agency Agreement dated as of March 5, 1979, between Citicorp Overseas Finance Corporation Limited and Citibank, N.A., notice is hereby given that the Rate of Interest has been fixed at 10 1/2% per annum and that the interest payable on the relevant Interest Payment Date, September 10, 1980, against Coupon No. 6 in respect of U.S.\$1,000 nominal of the Notes will be U.S.\$25.88.

June 10, 1980  
By: Citibank, N.A., London, Agent Bank

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## Companies and Markets

## INTERNATIONAL COMPANIES and FINANCE

## INDIAN NEWS

## Expansion plans at Reliance Textile

By R. C. MURTHY IN BOMBAY

RELIANCE TEXTILE Industries increased sales revenue by 29.18 per cent from Rs. 1.2bn for the 15 months to December 1978 to Rs. 1.55bn for the 12 months to end 1979, and expects to top Rs. 2bn (\$254m) this year. Gross profits expanded by 30.74 per cent to Rs. 197.3m (\$25m) in 1979 from Rs. 150.9m for the previous period. Reliance changed its accounting year end in 1978.

The company has phased investment which is eligible for tax rebates, in such a way that the entire profit after interest and depreciation qualifies for exemption. Increased net profit of Rs. 82.15m against Rs. 65.5m, has enabled Reliance to pay a dividend of 25 per cent, compared with 27.5 per cent for the 15 months of 1977-78.

Reliance is expanding both in domestic and export markets in a big way. Its plant at Ahmedabad in the western state of Gujarat has been called by a World Bank team recently, the most modern unit in mainland Asia.

The company plans to import 154 shuttle-less automatic looms worth Rs. 190m. The World Bank has sanctioned a Euro-dollar

credit equal to Rs. 130m for Reliance Textile, which is the only private sector company to secure such a loan in India. It has taken over a closed textile unit in Gujarat and plans to rehabilitate it under way. These and other projects (including a proposal to set up a Rs. 510m polyester filament yarn unit) will enable Reliance to claim tax exemption, through the investment rebate, for 1980 and 1981.

Reliance exported more than 10 per cent of its production in 1979. It has signed an agreement for the supply of know-how and technical assistance to Ceylon Synthetic Textile Mills (Cynsintex) of Sri Lanka, for three years and a joint venture with 49 per cent capital participation by the company is being set up in Zambia. Reliance is presently negotiating with the Ugandan Government for extending managerial assistance to a textile unit on a commission basis without any capital contribution.

PRODUCTION AND sales of National Organic Chemical Industries Ltd. (NOCIL), a Mafatal company, registered a

decline in 1979. Petrochemicals production by the company dropped to 234,195 tonnes in 1979, from 265,862 tonnes the previous year. The fall in output, says Mr. Arvind N. Mafatal, the NOCIL chairman, was partly the result of discrimination in naphtha price setting. The Government, which fixes petroleum product prices, raised the price of naphtha used in petrochemicals manufacture by 145 per cent last year while keeping the naphtha price for fertiliser production unchanged. The subsidy in fertiliser sales to farmers is thus recovered from the industrial sector.

NOCIL was also hit by a reduced power supply and a scarcity of diesel oil to run its own power generators. Its production, which had to be raised to recover higher costs, had an unsettling effect on its sales during the year.

However, sales turnover was up by 15 per cent to Rs. 1bn (\$127m) in 1979 from Rs. 867m in the previous year. The increase in product prices was not commensurate with the rise in the cost of production and profit margins fell. Gross profit declined by 8 per cent to

Rs. 118.4m (\$15m) from Rs. 128.9m and profits after tax were Rs. 43.3m against Rs. 50.9m. The dividend is unchanged at 16 per cent.

The company manufactures a wider range of petrochemicals. It proposes to produce organophosphates, such as monocrotophos, and the latest generation pesticides. It is negotiating with the Government for permission to modernise and expand its PVC and EVA manufacturing facilities, based on ethylene and propylene, to be produced from cracking facilities to be installed using Bombay High Associated Gas.

THE INDUSTRIAL Finance Corporation of India has opened the issue of Rs. 350m (equivalent to about \$45m) of 12-year bonds at par, reports Reuters from New Delhi.

The bonds carry 61 per cent interest and applications close on Thursday.

The corporation, which is state-owned, makes advances of local and foreign currency loans to industry, guarantees deferred payments for capital expansion, and underwrites share and debenture issues.

## Plate Glass lifts dividend on record earnings

By Our Johannesburg Correspondent

PLATE GLASS and Shatter-prufe Industries, the South African manufacturer of glass, timber and building products, has reported record earnings for the year to March 31, 1980. Though stated earnings were restrained by the introduction of LIFO (last-in-first-out) stock accounting methods, income more than doubled at the pre-tax level to R25.91m (\$33.3m), from R12.54m in the previous year. Turnover rose by 10.9 per cent to R221.5m (\$284m) from R199.8m.

Direct comparison of the two years' operating results is not possible. During the market depression of 1978, Plate Glass instituted a comprehensive rationalisation of its operations and has since closed several unprofitable outlets. After taking these factors into account, the management estimates that turnover rose 20 per cent last year on a comparable basis, while had LIFO accounting not been introduced, a pre-tax income increase to R29.8m would have been reported.

Plate Glass's South African markets are now stronger, and are apparently set for further growth, but some problem areas remain. An associated fibre-glass producer continues to be affected by serious technical problems, while the American subsidiary sustained losses.

Dividends totalling 50 cents per share, against 14 cents, have been declared from earnings per share of 103.0 cents, compared with 36.9 cents. Taking into account a possible rights issue of about 1m shares to fund further equity participation in the American and Australian subsidiaries, the management expects earnings per share to rise by 25 per cent during the current year.

## BMW to extend South African plant

PRETORIA — Bayerische Motoren Werke (BMW) will invest R52m (\$66.8m) in extensions to its South African plant to cope with demand for BMW cars locally and abroad, Mr. E. von Koerber, the managing director of BMW South Africa (Pty), said.

This follows BMW's decision last February to substantially increase its investment in South Africa. Mr. von Koerber said export incentives and the attractiveness of the financial rand were additional positive factors.

## Bonuskor helps profits advance at Volkskas

By JIM JONES IN JOHANNESBURG

VOLKSKAS, South Africa's third largest banking group, increased its disclosed taxed consolidated profit by 33.4 per cent to R30.4m (\$39m) in the year to March 31, from R22.8m in 1978-79. Over the year, group assets rose by 22 per cent to R3,76bn (equivalent to \$4.8bn).

Volkskas is, perhaps, the most conservative of the country's major banking groups in its reporting, making considerable transfers to hidden reserves.

Commercial banking operations were the largest contributor to profits, weighing in with R15.6m after tax.

Bonuskor, the group's industrial subsidiary, with interests in

motor cycle distribution and timber provided an attributable profit of R5.1m, compared with R1.3m the previous year. The remainder of the disclosed taxed profit was derived from the group's merchant and industrial banks and industrial interests which include sugar production, foundry work and the manufacture of Mercedes Benz vehicles.

In addition, Volkskas has a 30 per cent stake in Legal and General's South African insurance operations which is not consolidated in group accounts.

Since the financial year-end, the group has raised R30.4m through a rights issue of 6.46m shares at 470 cents each. This

increased the number of shares in issue from 21.5m to 28m. Based on the share capital, before the rights issue, Volkskas declared a dividend total of 30 cents, compared with 26 cents previously, from earnings per share of 134.3 cents, against 102.6 cents.

The management has not said whether dividends are likely to be maintained on the increased capital, but the funds raised by the issue are earmarked for increasing the group's stake in subsidiaries and to provide them with additional working capital. In Johannesburg, Volkskas' shares are currently quoted at 590 cents.

This announcement appears as a matter of record only

March 1980

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Schroders

J. Henry Schroder Wagg &amp; Co. Limited, 120 Cheapside, London

## New offer for Osborn minority

By Our Johannesburg Correspondent

MINORITY shareholders in Samuel Osborn, the South African mining machinery and machine tool company, who rejected a 500-cent share cash offer by steel and engineering group, Haggie Rand, in December 1978 are again being made an offer for their shares.

This time, Haggie is offering cash of 650 cents a share or an alternative of 35 of its own shares plus R30 cash for every 100 Samuel Osborn shares. Based on Haggie's current 750 cents Stock Exchange quote, the latter offer values each Osborn share at 687.5 cents.

In December 1978, Haggie bought a 65 per cent stake in Samuel Osborn for R8m from the then UK parent, Aurora Holdings.

## C. G. Smith Investments ahead

By Our Johannesburg Correspondent

C. G. SMITH INVESTMENTS, the South African holding company with interests in sugar and textiles, has reported a 41.3 per cent consolidated pre-tax profit improvement to R39.1m (\$50.2m) for the year to March 31.

The company, which is indirectly controlled by Barlow Rand, holds an effective 54.9 per cent interest in Romatex, the textile manufacturer, an effective 31 per cent of the sugar producers C. G. Smith Sugar and an effective 35.6 per cent of the diversified sugar producer, Bulett. All three of the underlying companies reported

higher earnings for the year to end-March. Romatex increased its taxed profit by 44.7 per cent to R19.1m as consumer spending on semi-durables improved considerably during the second half of the financial year. Its management is confident that earnings for the current year will be higher.

The two sugar companies, on the other hand, though they reported higher earnings for the year, expect profits to be restrained by lower sugar crops in drought-affected growing areas. Both feel that lower production will be to an extent offset by higher refined sugar export prices, while non-sugar

earnings should enable dividends to be at least maintained.

Effective control of C. G. Smith Investments is held by Barlow Rand on January 1, and the company has changed its year-end to September 30 to coincide with that of Barlows. Two interim dividends, totalling 42 cents, have been declared from earnings per share of 42.8 cents during the 12 months to end-March. A final dividend will be declared upon completion of the current fiscal period on September 30. During the year to March 30, 1979, Dividends totalling 33 cents were declared from earnings per share of 33.4 cents.

## Malaysian fund takes stake in Asiatic

By WONG SULONG IN KUALA LUMPUR

THE Malaysian armed forces fund, Lembaga Tabung Angkatan Tentera, has bought 30 per cent of Asiatic Development, the Genting Berhad subsidiary, in accordance with one of the conditions set by the Foreign Investment Committee for approving Asiatic's takeover of three Kadoorie family controlled plantations.

Tabung Tentera paid 24m

ringgits (U.S.\$11.2m) in cash to acquire 24m shares of one ringgit each in Asiatic. At the same time, Genting, the casino and hotel group, is taking up 56m shares of Asiatic for a cash payment of 56m ringgits.

The authorised capital of Asiatic Development has also been increased, from 20m ringgits to 500m ringgits.

Last April, Asiatic succeeded

in its bid for the three Kadoorie estates — Rubber Trust, Amalgamated Rubber Estates and Shanghai Kelantan Rubber — for nearly 200m ringgits, after winning approval from the Malaysian Foreign Investment Committee by agreeing their 30 per cent of its equity would be sold to Bumiputra (Malay) institution.

## IC Industries sales and income set first quarter records. By design.

CONSOLIDATED STATEMENT OF INCOME		
For the three months ended March 31, 1980 compared with same period 1979.		
(Dollars in millions except per common share amounts)	Three months ended March 31, 1980	Three months ended March 31, 1979
Sales and Revenues	\$972.3	\$838.6
Income From Continuing Operations	\$ 22.5	\$ 5.9
Income Per Common Share From Continuing Operations	\$ 1.04	\$ .00

IC Industries income from continuing operations for the first three months of 1980 set a new record of \$22.5 million (nearly four times the \$5.9 million earned for the first quarter of 1979).

First quarter sales and revenues were \$973 million, up 16 percent compared with \$839 million last year. Primary income per common share from continuing operations was a record \$1.04, compared with 00 (zero) cents a year earlier.

Strong performances by Illinois Central Gulf Railroad and the Abex Corporation were major factors in the improved consolidated results.

## Railroad Revenues Up 36 Percent Over Last Year.

A turnaround which began in the fourth quarter of 1979 for IC Industries Railroad Activities was the single most significant factor in the substantial 1980 first quarter improvement over a year ago.

These activities (which include railroad operations and railroad real estate) contributed \$18 million to first quarter pre-tax income. This is an increase of \$38.3 million compared to the \$20.3 million loss for the first quarter in 1979 due to severe winter conditions.

Revenues for the quarter were \$255 million. A 36 percent increase over 1979.

## Abex First Quarter Pre-Tax Income A Record \$20 Million.

Abex has traditionally been a major contributor to IC Industries total earnings. This tradition is continuing into the 1980s as evidenced by a first quarter record of \$20 million in pre-tax income. Up 10 percent over the year before.

Abex sales for the quarter were \$252 million. An 18 percent increase over a year ago. The backlog of unfilled orders at the end of March was \$622 million. Over 50 percent greater than last year.

## Abex Long-Term High Technology Program for NATO.

A current long-term program for Abex technology includes high-strength castings for the turbine engines of the XM-1 main battle tank to be used by the U.S. Army and other NATO nations.

With present projections for more than 7,500 units, Abex revenues from XM-1 tank orders alone would exceed \$80 million.

## Hussmann and Midas Continue International Expansion.

Our Hussmann group is the worldwide leader in food store merchandising, refrigeration equipment and environmental systems. A number of additional new products,

with emphasis on energy efficiency, are planned for 1980, as well as continued emphasis on international expansion and increased participation in world markets.

Midas plans for 1980 call for addition of another 133 automotive service shops worldwide. Forty-three of those shops will be outside North America and geared toward growth in Western Europe and Australia.

## Off to a Good Start for the 1980s.

We entered 1980 with the highest year-end backlog in history. Up 39 percent.

Thanks to our planned diversification over the past eleven years, IC Industries today has a broad base of strength, particularly in commercial and consumer products and should produce reasonably stable earnings, even during periods of economic decline.

If you'd like to know more about our design for growth, write: IC Industries, Inc., European Office, 55, ch. Moise-Duboulet, 1209 Geneva, Switzerland, Tel. (41.22) 98.23.11, Telex 22884.

**IC Industries**  
Growth by design.

This announcement appears as a matter of record only

JUNE 1980

## IC Industries

U.S. \$100,000,000

Euro-Commercial Paper

MANAGER AND AGENT BANK

Merrill Lynch International Bank Limited







## Solving the energy problem

**BY ROY HODSON**

is also to be used to expand the Nersk Hydro Karmoy plant in Norway, and in the construction of a giant new Australian smelter of 220,000 tonnes a year capacity to be built by Pechiney in association with other companies in New South Wales.

Pechiney will build another smelter for Bharat Aluminium company of India if financing can be arranged. The new technology may also be used for two other big smelter schemes in the Pacific Basin and South America.

Older aluminium pot-lines are

dirty places to work in. The control of fumes is a constant problem. Even the recent technology of the 1970s is not free from those difficulties.

Pechiney has now managed to devise a closed system of electrolysis which produces 98 per cent of the fumes and feeds the part with raw material by the automatic internal system. The specific power consumption to produce one tonne of metal is put at 33,500 kilowatt hours compared with between 14,300 kilowatt hours and 17,000 kilowatt hours in conventional smelters.

Already one tonne of every

five tonnes of aluminium smelted in the west is produced by Pechiney technology. The race is now on for dominance

## Palm oil futures trading start

## Palm oil futures trading start

KUALA LUMPUR—The Kuala Lumpur commodity exchange will begin trading in crude palm oil futures in mid-August, primary industries minister Paul

A one-month period of much trading to train operators will begin around mid-July after construction of the trading floor and offices is completed. The market will initially trade in futures contracts for 25 tonnes of crude palm for delivery in-tank at approved port installations at Pasir Gudang, Port Klang and Penang.

Mr Leong said the exchange will initially trade from 15.00 local time (07.30 GMT) to 18.00 (10.30 GMT) to provide a reasonable overlap with the opening of business in Europe.

Reuter

## KEYS

[illegible]

Sugar \$210, June \$213, July \$215, Aug.  
 \$219, Oct. \$228, Sept. \$222, Nov.  
 March \$236. Brazil Pellets afloat \$221  
 June \$221, July \$222, Aug. \$225, Sept.  
 \$229, Oct. \$235, Nov.-March \$245.  
 PARIS, June 9.  
 Cocoa (FFr per 100 kilos)—July 1120

Sept. 1102-08, Dec. 1116-19, March 1130-55, May 1150, July 1160. Sales at call 7.  
Sugar (FFr per 100 kilos)—July 3050-100, Aug. 3163-85, Oct. 3319-20, Nov. 3300, Dec. 3425-30, March 3485-50, May 3515, July 3525. Sales at call: 47

**DOW JONES**

tonnes	1870's	1920's	1930's	1940's	1950's
Spot	418.40	412.44	444.00	412.92	412.92
Futur	438.09	441.18	484.85	418.85	418.85
(Average 1924-25=100).					

### REUTERS

June 9	June 6	M'nth ago	Year ago
1870.5	1875.0	1721.1	1630.4

(Base: September 18, 1931=100)

approx. 23 lb 15.00. Strawberries—Pa  
 punnet, Italian: 0.27; Spanish: 0.25  
 1950. 1.00. Cherries—Per  
 French: 0.80-0.85; American: 1.00  
 Lebanese: 0.70. Melons—Israeli: Galil  
 5.50; Spanish: 3/11s 4.50, Ogen: 4.00

Mariana 6 kilos 2.40-2.50; Israel  
Yellow 9.25-9.50. Water-melons—  
Israel: 5.00; Spanish: 3.20. Avocado:  
—\$. African: 3.40-3.50. Bananas—  
Jamaican: 28 lb, per lb 0.19. Tomatoes—  
—Dutch: 3.90-4.00; Guernsey: 3.60

4.00; Jersey: 4.00. Onions—Dutch  
6.50; Spanish: 6.50; Egyptian: 6.60  
Texas: 7.30; Australian: 44 lb 6.50  
Potatoes—Cyprus: New crop 20¢ kg  
2.00; Idaho: 2.00; Sweet: 2.00

3.50; Jersey: Per lb, 0.06-0.67; French  
Dukes 2.50-2.60; Princess 2.30; Greek  
3.20. Carrots—French: 22 lb 3.50, 28 lb  
4.50; Italian: 3.50; Cyprus: 3.30. Beet  
roots—Cyprus: New crop, approx. 2.00  
lb 3.00; Italian: 2.50. Cabbages—  
Dutch: 10 lbs 2.00-2.50.

English produce: Potatoes—Per bag 2.00-2.30. Mushrooms—Per lb 0.55-0.70. Apples—Per lb Bramley 0.41-0.70. Strawberries—English 2.00-2.30.

0.20.	Cabbages—Per bag	1.20-1.80
	Cauliflowers—Per 12s English	3.50
4.50.	Cucumbers—Trays 16/20s	2.40
2.80.	Tomatoes—Per 12 lb	3.80-4.00
	Rhubarb—Per lb outdoor	0.05.
	Onions—Per bag	6.50.
	Beetroots—Per bag	6.50.

long 2.00, Celery—English 12/30s 3.80  
4.50, Asparagus—Per lb 0 90-1.00  
Lettuce—Cos 1.20, Webbs 1.20-1.50  
round 1.20-1.30,







# AUTHORISED UNIT TRUSTS

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Continued on previous page













# FINANCIAL TIMES

Tuesday June 10 1980

**Food**  
industrial valuers

## Schmidt attacks EEC costs 'imbalance'

By JOHNATHAN CARR IN ESSEN

CHANCELLOR Helmut Schmidt of West Germany yesterday called for a more balanced share-out of the costs of the EEC among its member states, and set the end of next year as a deadline for action to achieve this. He noted that this would mean changes in the EEC farm sector.

Speaking here yesterday to the national congress of his ruling Social Democratic Party (SPD), Herr Schmidt stressed to loud applause that the EEC must not become "a self-service store for special interests."

He said the recent compromise on Britain's EEC budget

problems would cost West Germany an extra DM 2.5bn (£800m) this year and next; in 1981 alone the Germans would pay DM 5bn more to the EEC budget than they received from it.

"Other EEC states who in per capita terms are hardly poorer than we are will be major net recipients," he noted.

It was therefore essential to remove the causes of this imbalance by 1982. Apart from anything else, the EEC would not be able to pay the costs of integrating Greece, Portugal and Spain without farm policy changes and a more balanced sharing of the burden.

Herr Schmidt did not suggest that the EEC might have to slow down the enlargement process as President Valéry Giscard d'Estaing of France did last week. But he noted that the President had been drawing attention to the same problem.

Nor did the Chancellor outline how to achieve the more balanced financing he proposed. But last week it was asked in the Bonn Cabinet whether ceilings might be put both on the sums member countries received from the EEC and on the sums paid to it.

A major debate on EEC

financing seems unlikely before the French presidential election early next year. But the West Germans expect that soon after that, serious debate and firm action will be needed, since soaring EEC costs threaten to exceed the funds available through the EEC's system of own resources.

Elsewhere in his speech Herr Schmidt renewed his call to East and West not to deploy intermediate range nuclear missiles for three years, while negotiations went ahead on arms limitation.

This is bound to be a key topic when Herr Schmidt visits

Moscow at the end of this month.

Herr Schmidt's remarks were the main contribution on the first day of the two-day congress, at which the SPD has to approve its campaign programme for the General Election on October 5. The party is also expected to approve a continued coalition with the liberal Free Democrats (FDP), who have themselves just voted to prolong their Government alliance in Bonn for another four years.

Herr Schmidt delivered his address mainly in a low key, for what are believed to be two main reasons.

THE LEX COLUMN

## Growth points at A. B. Foods

Rapid expansion in UK retailing, together with a recovery in the bakery division and a strong performance in South Africa, are the main factors behind the rise of a quarter in pre-tax profits at Associated British Foods to £98.7m for the year. The contribution from the Australian George Weston Foods has fallen by £900,000, due to pricing problems in New South Wales and a bread retailing strike in the second half. But a booming economy in South Africa has increased food consumption there, boosting volume and margins at the Premier Milling subsidiary.

In the UK the company is now seeing returns on its high capital expenditure over the last few years in food retailing: last year £30m out of the total £98m capital expenditure was devoted to food retailing. Trading profits have increased by 40 per cent to £15.8m and market share is up from 4.3 per cent to 5.2 per cent, mainly through the addition of 8 per cent or so to selling area.

After a small decline in the first six months, bread consumption seems to have steadied and the group has been able to push through a series of price rises on increased volume. The division has made a modest profit after the previous £2m loss and with the new capacity bought from Spillers now being assimilated, is in a position to make a further advance in the current year. Similarly, while the contribution from milling has moved sideways, the rationalisation of Spillers' production by Dalgety should give ABF a boost here in the current year.

So profits of £110m or more are possible in the current year, with the main uncertainty the amount of conflict in the current wage round, in which the company's negotiations figure early. ABF is now more interested in making acquisitions than in the past, and while borrowings have risen 21 per cent, net debt is steady at about a quarter of shareholders funds. The share price rose 5p yesterday to 96p, for a yield of about 5 per cent and a p/e of a little below 9, fully-taxed.

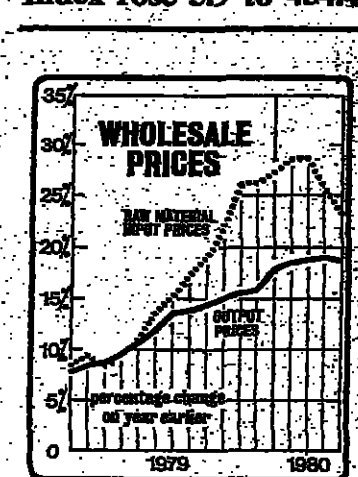
If Mr. Ohira misses both the summit and what remains of the election campaign, he will be under strong pressure to step down from the Premiership. His successor would normally be one of the main faction leaders of the ruling Liberal Democratic Party, but the current line-up within the party makes it hard to guess who will emerge as leader.

Mr. Ohira's predecessor as Prime Minister, Mr. Takeo Fukuda, 75, is a contender despite his advanced age. Also in the running is Mr. Yasuhiro Nakasone, who heads the fourth largest faction of the Liberal Democratic party and has a wide ministerial experience. He has also served as the party's secretary general.

Other contenders include Mr. Kiichi Miyazawa, an economist and former Foreign Minister who belongs to the faction led by Prime Minister Ohira, and Mr. Toshio Komoto, a businessman-turned-politician who belongs to the faction led by ex-Premier Miki.

Money markets  
After another firm day yesterday, the gilt-edged market approaches this afternoon's banking figures settling up against the reassuring bulk of the 1994 top stock. The market has so far lacked the momentum to make inroads into this

Index rose 5.9 to 434.4



issue, and the banking figures along with the indication for sterling M3 growth in the month to mid-May, will have to be encouraging to provide the necessary impetus.

On the other hand, there is a growing feeling that the figures for the current banking month, which has seen heavy official sales of stock and an apparent easing in credit demand, should be rather good.

There is certainly support from the money market, where the feeling that a cut in official interest rates will not be long delayed is clearly gaining ground. The 12-month rate on sterling certificates of deposit is now around 13 1/2 per cent, more than a point down on the levels of a week ago. Then in conjunction with a present six-month rate of 15 1/2 per cent, this implies that in December the six-month rate will be down to around 11 1/2 per cent, consistent with a Minimum Lending Rate of 12 per cent or so.

But the downward movement in CD yields seems to be exaggerated by a shortage of new paper as banks are holding off from the issue of new CDs while rates are still falling rapidly. The end of the current week on Wednesday may stimulate activity and push yields up again if the banks are able to persuade their corporate customers, who must have shed a fair amount of their unwanted stocks by now, to take on more borrowings.

Dana  
The motor component business is under pressure right around the world. Yesterday,

Dana Corporation reported third quarter earnings down from \$45.4m to \$15.6m; the figures would have looked a lot worse but for the consolidation of a major acquisition (made in June 1979) and they do not take account of the costs of recent factory closures. Four plants have been shut and some 3,000 employees laid off in response to a 61 per cent slump in U.S. truck production in recent months.

The leisure market for light trucks, which helps to sustain Dana through the last recession, has taken a severe knock, and the group does not seem to think that this market will ever be quite the same again. However, the overseas companies, including Turner and Brown Bros. in the UK, are doing well, and Dana hints at major growth opportunities in its industrial and service activities, which now account for over half its sales.

Cowie/Ewer

George Ewer is to apply for the next day or so for Stock Exchange listing of the new shares issued as consideration for the locomotive company Eastern Tractors. Yet P. Cowie, bidding for the bidder, is loudly complaining that its claimed 54 per cent stake in Ewer will be diluted to 38 per cent, and the deal will therefore be in breach of the Ewer chairman's assurance several years ago that any issue which altered control would be put to shareholders for approval. Eastern Tractors seems to be growing anxious, and although Ewer says that the Stock Exchange sees no apparent breach, the listing application has not been formally considered yet. Yet Cowie is still picking up shares in Ewer, and could soon obtain absolute control, diluted or not.

Wholesale prices

The May wholesale price figures support the view that retail price inflation is now at a peak: the 12-month increase in raw materials prices has fallen for three months running and the rate of output price rises has begun to moderate. On the basis of the recent CBI trends survey, the rise in output prices should slow further as manufacturers find it harder to make price rises stick, and rising labour costs will continue to exert pressure on their gross margins. But at least raw material costs, measured on a six-month basis, are rising more slowly than output prices for the first time in over a year.

## Soviets may begin new gas export talks soon

By Kevin Done in Frankfurt

NEGOTIATIONS on the Soviet Union's next major project to export natural gas to western Europe could begin later this year, apparently unaffected by the political tensions arising from the invasion of Afghanistan.

Ruhrgas, West Germany's leading gas importer and distributor, said yesterday that the Soviet authorities had made clear in recent talks in Bonn that it may make a decision on the scheme in the next few weeks.

A consortium of gas companies from West Germany, France, Austria, the Netherlands, Belgium and Italy began preliminary talks on the gas export scheme with Moscow more than 18 months ago.

But Dr. Klaus Liesen, chairman of Ruhrgas, said yesterday that during talks in Bonn 12 days ago, Mr. Nikolai Tikhonov, the Soviet deputy Premier, had indicated that a decision to go ahead could be made by the middle of this year.

The opening up of new natural gas resources from the USSR would be of major importance to several countries in continental western Europe, which in recent months have suffered serious disappointments over gas export schemes with Iran and Algeria.

Ruhrgas estimates that an investment of around DM 20bn (£4.5bn) would be necessary to build a new pipeline from gasfields in western Siberia to bring the gas more than 5,000 km to consumers in western Europe.

In discussions with Ruhrgas the USSR has talked of making available an additional 40bn cubic metres of natural gas a year to western Europe with deliveries starting in the mid-1980s.

The political tensions of recent months between East and West are understood to have had little effect on the gas talks. Bonn is scrutinising more carefully the implications of becoming even more dependent on the USSR for energy, but it has placed no obstacles in the way of the preliminary discussions.

## CBI likely to shelve its strike insurance scheme

By JOHN ELLIOTT, INDUSTRIAL EDITOR

LEADING POLICY-MAKERS at the Confederation of British Industry have decided that they should not proceed with their proposed strike insurance fund. The fund was originally expected to have an annual income of £100m to £150m.

This is a blow to the CBI's attempt to build employer solidarity against trades unions and to change the balance of power in industry.

The attempt was launched last year by the late Sir John Mettven, CBI director general. An insufficient number of large companies agreed to invest in the fund and CBI leaders are preparing to recommend to their monthly council meeting next week that the idea be put on ice for a year or more.

Another idea being canvassed, which has gained little support, is that the fund should be launched only for the CBI's small businesses, which have shown most interest in gaining insurance protection.

During the past two months, CBI leaders tried to entice large companies into the fund. They said that, though a company might not be interested in the insurance idea, it should be willing to invest in the CBI's efforts to increase employer solidarity.

But most companies were loath to enter, especially when they face cash problems. Many doubted the commercial benefits because they were told they might be called on to double or treble their premium if there were extensive calls on the fund.

Personnel directors said confrontations with trades unions could increase, and some factory managers said that they did not want their businesses to suffer the stigma of being put into the scheme.

This was a reaction to an idea put forward by the CBI that, instead of insuring all its plants, a major company might cover only selected establishments. Major company names could

then have been attached to the scheme without having to pay perhaps £1m or more each for all their activities to be covered.

Some companies also said they do not want to subsidise other companies' disputes of which they might not approve.

Because of opposition, CBI leaders said, for the past couple of months, that there was only a 50-50 chance of the scheme proceeding this year. They considered it was possible to launch it with an initial income of only £50m a year.

It is clear, however, that although some companies' replies are still to arrive, there will not be sufficient spread of risk across industry and commerce, especially among large companies, for the plan to proceed.

But proponents of the scheme believe it will only take one more winter of serious industrial trouble for companies' views to change.

## Government proposes new 'simplified' building controls

By ANDREW TAYLOR

GOVERNMENT proposals which would allow the building industry to take away from local authorities responsibility for monitoring and enforcing building controls are contained in a consultative paper published yesterday.

The paper, published by the Department of Environment, also proposes to exempt minor works such as greenhouses and detached garages from controls which it plans to replace with simplified guidelines instead of the present detailed specific building regulations.

Under the terms of the paper developers and owners of private and commercial buildings would be able "to opt for building controls to be exercised by nationally-approved professional 'certifiers' as an alternative to local authority control."

Chartered surveyors said last night that the proposals, if implemented, could lead to a sharp increase in the level of insurance cover needed by builders and their professional

advisers, who would have increased responsibility in the extent of a building failure.

The Royal Institution of Chartered Surveyors said that it welcomed in principle the moves towards greater "self regulation" by the building industry but had doubts whether some of the proposals would, in practice, prove workable.

One body which might qualify as a "certifier," says the Department of Environment, is the National House-Building Council, which already acts as the consumer watchdog for the housebuilding industry and arranges insurance cover for builders against claims from owners.

However, the Council in a submission to the Department earlier this year, said that while a system of self-regulation, backed by insurance cover, was feasible for low-level housing it had grave reservations about such a scheme being extended to major construction projects because of the higher cost of insurance premiums.

At present the responsibility for enforcing controls falls on local authorities.

The consultative paper says that the question of future liability for building control will form part of a Law Reform Committee review. It suggests that a time limit should be set for liability resulting from failure to comply with building controls.

The Royal Institution of Chartered Surveyors was also worried about a proposal to exempt all local authority and nationalised industry buildings from controls even though their premises will still be expected to meet building regulation standards.

It also criticised moves towards a simplified code. This will be open to interpretation by whoever enforces building controls. Architects already often have to refer back to local authorities for more detail on the exact meaning of regulations," said a spokesman for RICS.

## Japanese Premier may miss summit

By Charles Smith, Far East Editor in Tokyo

Mr. Masayoshi Ohira, Japan's outgoing Prime Minister, now seems almost certain to miss the summit of world leaders to be held in Venice later this month.

A report on Mr. Ohira's health issued in Tokyo last night by a team of specialists said he needed to stay in hospital for at least another two weeks for detailed heart and liver examinations.

Although Mr. Ohira's condition is described as stable, the report implies some doubt about the nature of the illness. Mr. Ohira, aged 70, entered hospital just over a week ago complaining of exhaustion.

In a statement last night, through the chief Cabinet Secretary, Mr. Ohira indicated that he personally would decide whether to attend the summit, but that the decision might not be made until early next week. The chances that he will make the trip appear slim, however.

It has also become impossible for Mr. Ohira to take any part in the campaign for Japan's forthcoming election, for which polling is due to take place on Sunday, June 22, the same day as the summit.

If Mr. Ohira misses both the summit and what remains of the election campaign, he will be under strong pressure to step down from the Premiership. His successor would normally be one of the main faction leaders of the ruling Liberal Democratic Party, but the current line-up within the party makes it hard to guess who will emerge as leader.

Mr. Ohira's predecessor as Prime Minister, Mr. Takeo Fukuda, 75, is a contender despite his advanced age. Also in the running is Mr. Yasuhiro Nakasone, who heads the fourth largest faction of the Liberal Democratic party and has a wide ministerial experience. He has also served as the party's secretary general.

Other contenders include Mr. Kiichi Miyazawa, an economist and former Foreign Minister who belongs to the faction led by Prime Minister Ohira, and Mr. Toshio Komoto, a businessman-turned-politician who belongs to the faction led by ex-Premier Miki.

## Weather

U K TODAY  
MAINLY CLOUDY over most of England and S. Wales with outbreaks of rain particularly in the South; showers and sunny intervals in N. England, N. Wales, Scotland and N. Ireland. Cool in S. East, warm in parts of N. West. Max. temps 13C (55F) - 15C (64F).

Outlook: Outbreaks of rain or showers, bright intervals, normal temperatures but cool in the East.

WORLDWIDE

	Y'day	Today	Y'day	Today
Amman	12	68	Lima	72
Athens	24	75	Lisbon	77
Bahrain	34	88	London	68
Batavia	28	88	Luxemb.	64
Beirut	13	85	Madrid	70
Bombay	28	77	Moscow	72
Buenos Aires	16	61	Munich	61
Calcutta	18	64	Nairobi	73
Canton	15	61	Naples	68
Cebu	15	61	Newcastle	61
Colon	15	61	New York	66
Copenhagen	15	61	Oslo	68
Dublin	13	65	Paris	72
Hankow	15	61	Rangoon	77
Hong Kong	15	61	Rio de Janeiro	77
Imbabura	15	61	Rome	72
Jakarta	15	61	Singapore	77
Johannesburg	15	61	Sydney	68
Kobe	15	61	Tehran	72
London	15	61	Tokyo	72
Lyons	15	61	Vienna	68
Manila	15	61	Warsaw	68
Medan	15	61	Zurich	68

C-Cloudy, F-Fair, FG-Fog, R-Rain, S-Sunny, SI-Sleet, SN-Snow.

Continued from Page 1

## Saudis

Algerian Oil Minister, said the maintenance of production at the level of "certain member countries" carried serious dangers for the price of oil. The talks in Algiers would make no sense unless producers extracted no more than their financial needs dictated.

He accepted that the high level of stocks held by consuming countries was a possible means of pressure when demand was relatively depressed. He described the large stocks as "a source of manipulation and speculation."

Nevertheless, Algeria was in favour of a move to price reunification. Mr. Nahi said the official selling price of Saudi Arabian Light should be raised

Continued from Page 1

## BIS urges restrictions

unemployment, the oil exporters' surplus is likely to be more durable than it was after the first oil price rise of 1973-74, and the oil importing nations are expected to face increasing problems in financing their deficits.

Consensus with the work force is needed to moderate the inflationary impact of restrictive policies it says. "In those countries where inflation has become a way of life, exclusive reliance on monetary policy may lead to a very severe and protracted decline in real output before it eventually has a lasting effect on the rate of price increases."

The BIS welcomes the general switch among Western governments towards anti-inflationary policies. It says, however, that the move has come rather belatedly in the U.S. and has brought sharp swings in interest rates that were a cause of exchange market instability in recent months.

It urges government to carry through anti-inflation measures until the rate of price increases in the industrialised countries falls from the current average of around 12.5 per cent to well below the 7 per cent that was ruling at the end of 1978.

It warns, however, that countries must not try to unload

inflation onto others by competitively bolstering their exchange rates in a bid to dampen import price rises. The generalised use of tight monetary policies, together with policies aimed at exchange rate controls, provides potential ingredients for a synchronised deep downturn in the world economy.

The BIS notes that although currency markets have been relatively stable during the past 18 months, several currencies have moved sharply against the trend of relative inflation rates. Unless inflation differentials are narrowed, it says, exchange rate pressures could flare up again.

productivity change, management and the union have agreed guidelines for negotiating the introduction of new and replacement equipment at regional level.

The union committed itself three years ago to co-operate with the introduction of new equipment, but halted this policy two months ago. That embargo has been lifted but this year's annual pay agreement does not include any formal advance on new technology.

NHS clerical staff, Page 18

## British Gas staff settle 'for 25%'

By NICK GARNETT, LABOUR STAFF

BRITISH GAS has concluded a pay deal with its white-collar staff which union negotiators say is worth about 25 per cent in total.

The deal, affecting 58,000 administrative and technical workers, illustrates the variations in public sector pay rises despite the operation of cash limits.

It involves a 19.20 per cent increase in salaries, together with an extra day's leave. The settlement data has also been brought forward one month to

June 1. British Gas, which declined yesterday to confirm the 25 per cent figure, is capital intensive. Only about one-fifth of total operating costs is accounted for by payments to its workforce, in contrast to some other public corporations.

It is also highly profitable. The Government last year fixed a three-year programme of cash limits but these are now being readjusted, partly to compensate for the recent levy it placed on gas bought by the corpora-

tion. With the increase, salaries which ranged from £3,028 to £3,775 will now be worth £3,603 to £4,050.

Although the settlement is due to run for 12 months, negotiators for the National and Local Government Officers' Association, which represents more than 45,000 of the staff, say they are committed to bringing the date forward to January. This would bring it in line with the manual workers' settlement.

Though there is no formal

### CASS

microprocessor telephone systems at an installed cost of **LESS THAN £1 per week** per extension

Your next internal telephone system will have to last your company the next fifteen years! You cannot make an investment like that without considering all the possibilities.

The Cass system is a new generation of microprocessor based telephones offering major advances on even the most modern internal PAX system.

It is ideal for networks of anything from 40 to 5000 extensions and is quick and easy to expand as your company grows.

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Elegant and easy to use, the Cass units are loud or soft speaking. With all its advanced facilities as standard, it still costs less than other comparable systems. Before deciding on your new internal telephone system you must see the CASS DEMONSTRATION UNIT - a complete exchange that will sit on the corner of your desk.

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